# SOVIET ECONOMICS

*A Symposium edited by*

DR. GERHARD DOBBERT

*Translated from the German by*

MALCOLM CAMPBELL

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# EDITOR'S INTRODUCTION

The rise of the Soviet Union marks for all branches of economic, cultural and political life the opening of a new era. In a country of enormous area, with a population which to-day already exceeds 165,000,000 and which is increasing by about 3,500,000 each year, the old order has been overturned, and something radically different has been put in its place. This new order has not yet assumed any final form; it is struggling to realise its own underlying principles; it is also struggling for its place in the world, and for its acceptance by the world.

The problem of Soviet Russia is to-day one of the most urgent of problems not only in Soviet Russia itself but also outside its borders. The outcome of the Bolsheviks' various attempts to establish the Socialist Commonwealth is of importance to the fate of the whole world. The influence of the New Russia is traceable in greater or less measure in every quarter and in every country. It stirs everyone; it compels every thinking person to equip himself continually with information about developments in the Soviet Union; it is a challenge to each individual to come forward with his own opinions quite regardless of whatever may be his political loyalties and his views on human society. To meet this need there has arisen a large body of literature about Russia, of every kind and tendency.

The object of the following essays is to investigate the *economics* of Bolshevism, the basis of the new cultural and political order in Soviet Russia. One thing should here be specially noted: in the progress of Bolshevism towards its appointed goal—towards

pure Socialism, which is to be established first in Russia and then in the whole world—the advance proceeds, not in a straight line, but in a zigzag course. It often overreaches itself because of its excessive "tempo"; it makes grave errors, which cause serious damage and have to be corrected at the cost of much sacrifice; its leaders have often been forced to "withdraw their front line" in order to avoid the dangers which are associated with the attempt to attain obviously unattainable objects, and then, after a breathing space, to push forward in an entirely new direction. Characteristic features of these constant tactical changes are the apparent contradictions in economic aims (often dictated by the Party's instinct for self-preservation) and the intense, feverish activity in the struggle for Socialism which have been noticeable in the economic and political life of Soviet Russia up till now.

If with the publication of this volume a fresh contribution is made to our knowledge of Soviet economics, it is not so much because the book deals with the latest stages in the economic development of the U.S.S.R. as because the book gives information about Soviet Russia in a manner which has not been employed before. Fourteen specialists in Russian affairs, experts and international press representatives in Moscow have here combined in friendly co-operation to explain the problems of Soviet economics and to examine the latest stages of its development. This co-operation of experts and correspondents, this association of the abilities and talents of different nations, has resulted in a volume in which a controversial subject such as the U.S.S.R. can be more correctly examined than in any book, however able, written by one author alone. The book appeals to the widest public, and is appearing in several languages.

It is for the most part capitalistically-minded Europe and America which is here pronouncing judgment on the Socialist economics of Russia. The authors are in so far entitled to judge as they are all

reliable and conscientious experts on Russia, whose activities up till now qualify them specially for this examination; in undertaking their contributions they have each felt it their duty to write as impartially and as objectively as possible. An attempt has been made to build up as unbiassed a picture as possible. It was therefore thought best to refrain from seeking the co-operation of Russian emigrants and Soviet Russians. Each contributor reports on the special subject of which he has the most expert knowledge. Each is absolutely free to say what he likes. Consequently the opinions and the facts collected in each essay are given on the sole responsibility of each individual author.

The editor's problem has consisted in the realisation of his idea of producing, on the basis of the new method of exposition mentioned above, a symposium which would enable a wide circle of readers to obtain as comprehensive and as objective information as possible about Soviet economics and so to form their own independent judgment upon the matter. He has confined himself, apart from his own contribution on his special subject, to the organisation of the book and to the arrangement of the essays in formal order. He would like at this point to make particular mention of the tireless and loyal co-operation which he has received from a certain authoritative quarter, and to express his thanks to the authors and to all who were interested in his plan and have helped it forward.

This volume marks but the first step on the new road towards an understanding of Red Russia. Preparations are in hand to extend it to the next steps, first on the cultural and then on the political side. A beginning has purposely been made with "Soviet Economics." The Bolsheviks themselves set this problem in the forefront, for according to their doctrine every social and political development is dictated by economic development; consequently the subject of economics is to be regarded as the most important theatre of the struggle, in which the question of its

ultimate aim—the realisation of complete Socialism—is fought out, and in which the fight for "Red Culture" and "The Red State" is determined.

It is obvious that Soviet economics, as the first attempt on a gigantic scale to realise the Socialist order, must give rise to a mass of fundamental problems. *Can they be solved, and how will they be solved?* All attempts of the Soviet Union to solve them are clearly the more important as the process of solution advances outside the Soviet borders within the old order of private capitalism, *with its basis of individual initiative* and profit-making incentive, and as this gives place to a planned economic order. The capitalistic world is also struggling to give birth to new economic forms. While the economic ties uniting the world are breaking up under the stress of the political and economic crisis, there is a strengthening of tendencies which incline towards the formation of a multiplicity of national, self-contained economic units. This transformation process in world economics opens up quite new possibilities of economic forms in each country, but also conceals within itself new dangers. To predict the course of economic development is less possible to-day than ever before. It is unquestionably true, however, that the economic system of the Soviet Union, which owing to its economic impulse and owing to its peculiar and exclusive nature stands in complete opposition to the systems of the Old and New Worlds—presuming that it is able to maintain and strengthen itself—will exert an increasing influence on the future of capitalism.

To present and explain the Soviet economic system (in the widest sense of the words), to apportion light and shade correctly, and to help the reader to a general judgment founded on a picture which is necessarily diverse owing to the national and personal idiosyncrasies of the authors—this is the object of this book. It will serve the cause of truth as it speaks freely of what is actually happening; and this is its best hope of countering the many false and biassed opinions which

are current concerning the Soviet Union, and of bringing to the rest of the world some understanding of the endeavours being made in that country, at the cost of heavy sacrifices, to establish a new order of society.

Let the authors now speak for themselves.

G. D.

*Rome, August* 1932.

# CONTENTS

PAGE

EDITOR'S INTRODUCTION . . . . . . v

I. PLANNED ECONOMY . . . . . . . . . . 1
By William Henry Chamberlin

II. ORGANISATION OF ECONOMIC LIFE . . . . 21
By Hans Jonas

III. ECONOMIC NEWS REPORTING AND THE ECONOMIC PRESS . . . . . . . . . . 51
By Arthur W. Just

IV. CAPTAINS OF SOVIET INDUSTRY . . . . . 77
By Professor Dr. Heinrich Pöppelmann

V. INDUSTRY . . . . . . . . . . . 97
By Nikolaus Basseches

VI. AGRICULTURE . . . . . . . . . . 117
By Professor Dr. Otto Auhagen

VII. MONEY, CREDIT AND BANKING . . . . . 141
By Malcolm Campbell

VIII. STATE FINANCE . . . . . . . . . . 169
By Dr. Gerhard Dobbert

IX. TRANSPORTATION IN THE SOVIET UNION . . 195
By Dr. H. Saller

PAGE

X. INTERNAL TRADE . . . . . . . . . 223
By Dr. Wilhelm Roellinghoff

XI. BUILDING AND HOUSING IN THE SOVIET UNION 243
By Hans Schmidt

XII. SOCIAL PROBLEMS . . . . . . . . 267
By Pietro Sessa

XIII. FOREIGN TECHNICAL ASSISTANCE . . . . . 291
By Georg Cleinow

XIV. FOREIGN TRADE . . . . . . . . . 315
By H. R. Knickerbocker

INDEX . . . . . . . . . . . 337

# I

# PLANNED ECONOMY

By William Henry Chamberlin

(Moscow Correspondent of *The Christian Science Monitor*

# I

## PLANNED ECONOMY

By WILLIAM HENRY CHAMBERLIN

(Moscow Correspondent of the *Christian Science Monitor*)

:NTRALISED State planning is the most original and stinctive feature of the Soviet economic system. This stem still employs, to a greater or less extent, many ements of capitalist technique. Labour productivity stimulated by differential wage-scales and by piece-ork methods of payment; goods and services are ill, in the main, paid for with money; State industries id enterprises are required to balance their accounts id are apt to find their credits cut off by the State inks if they do not do so.

But overwhelmingly the greater part of the Soviet :onomic life proceeds in accordance with a national an of development worked out and confirmed by the overnment. This plan presupposes State domination all the branches of the national economy: industry, griculture, banking, domestic and foreign trade, etc. he significance of economic planning in the Soviet nion has increased in direct proportion to the growth : State control over all the basic branches of economic fe.

The first Five-Year Plan, which went into effect on ctober 1st, 1928, and will come to an end on Decem-er 31st, 1932, was marked by the sweeping reduction f the rôle of private capital in those fields where it ossessed some strength during the first years of the iew Economic Policy, in agriculture and in retail

trade. The second Five-Year Plan, which will run from January 1st, 1933, until December 31st, 1937, sets as its goal "the final liquidation of capitalist elements and of classes in general." So planned economy in the Soviet Union has developed and is developing on the basis of increasing and now almost complete State control over every branch of economic activity.

Complete State control of national economic life existed during the first years of the Soviet regime in the period of so-called "war communism," which lasted from 1918 until 1921. Many of the features of economic life in the Soviet Union during the last few years existed then in much harsher form: the rationed system of distribution of food and manufactured goods, the exaction by the State of the peasants' surplus products at fixed prices, the regimentation of labour. By the latter part of 1920, when the system of war communism had reached its height, private trade in most articles was legally forbidden and the State had nationalised all industrial establishments down to small shops employing five or ten workers.

But this concentration of economic resources in the hands of the State was primarily designed to meet a war emergency. During this period, under the triple influence of civil war, blockade and the sudden introduction of a new system of management and control, industrial and agricultural productivity steadily sank. There was no possibility of undertaking new projects of large-scale economic development.

In 1921, when "war communism" was abandoned and the so-called New Economic Policy was introduced, with a view to stimulating economic revival, State control was noticeably relaxed in many fields. Rationing and labour conscription disappeared. The peasants, instead of being required to plant in accordance with a State plan and to deliver up their surplus produce to the State, were left free to manage their holdings as they liked, on condition that they paid a tax to the State,

levied first in kind, later in money. Private trade was again allowed and a number of small factories were leased by the State to Russian and foreign concessionaires. The State continued to operate the large industries and mines and the transport system and maintained control of the banking system and a monopoly of foreign trade. This system, under which capitalist and socialist elements were mixed, left less scope for large-scale national economic planning. While the State could prescribe programmes of output for its factories these programmes were dependent in no small degree on the peasant output of food and raw material, and this output, so long as the overwhelming majority of the peasants remained small individual producers, could be influenced, but not directly fixed, by the State.

Despite the concessions to private capitalist enterprise which were made under the New Economic Policy the Communist leaders never lost faith in the possibility of building up in the Soviet Union a socialist system in which State economic planning would be an important element. In 1922, in the first year after the introduction of the new policy, Lenin declared: "At any cost we shall solve this problem: that N.E.P. (New Economic Policy) Russia shall become socialist Russia."

The first large-scale experiment in State economic planning was the preparation by the State Commission for the Electrification of Russia (established in February 1920) of a scheme for the building throughout Russia of a network of electric power plants, designed, in the main, to furnish power for industrial and agricultural enterprises. This scheme was ratified by the Eighth Congress of Soviets, which met in December 1920. In 1925 planning advanced a further stage when so-called "control figures," which attempted to forecast the results of the year 1925–26 in such varied fields as industry and agriculture, prices and credit, labour productivity and wages, were drawn up by the

State Planning Commission, an organisation whose functions will be described in more detail later. In 1926 a five-year plan, projecting the economic development of the country from 1926 until 1931, was prepared. Mr. G. M. Krzhizhanovsky, who was at that time President of the State Planning Commission, in his introduction to this first five-year plan, offered a definition of its objective which would hold good for Soviet planned economy in general. This objective, according to Mr. Krzhizhanovsky, is "such a redistribution of the existing productive forces of society, including therein both the labour power and the material resources of the country, as would guarantee in the highest degree the output of these productive forces without crises at the quickest possible tempo for the purpose of achieving the maximum satisfaction of the current needs of the toilers, and of bringing them as quickly as possible to the complete reorganisation of society on the bases of socialism and communism."

Soviet economists believe that their planned socialist economic order is definitely superior to the unplanned private capitalist order, where production and distribution are left largely to the free play of individual interests and of natural economic forces. In particular they are convinced that the combination of centralised planning with concentration of all the essential elements of production in the hands of the State makes it possible to avoid the traditional trade cycle and the recurrent periods of depression and stagnation which have hitherto characterised the functioning of the private capitalist system. They believe that the Soviet application of the Marxist theory contains the secret of perpetual economic progress and that Russia's vast natural resources will be developed and made available for the satisfaction of the needs of the population much more surely and rapidly as a result of the introduction of planned economy.

The technique of economic planning in the Soviet Union may be briefly described as follows. The main

consulting and advisory functions are vested in the State Planning Commission, which has the status of a committee attached to the Council of Labour and Defence, the Soviet economic cabinet. The State Planning Commission is headed by a governing board of twenty-two members, appointed by the Government. Among its employees, of whom there are more than 1,000, are engineers, agronomes, economists, statisticians, experts in trade and finance. A bureau of national economic planning co-ordinates the work of the various special sections into which the State Planning Commission is divided. Among these sections are the power section, which has charge of fuel and electricity; the industrial section, which works out the control figures for industrial output; the agricultural section, which plans the extension of planted acreage and the distribution of various crops and generally guides the work of State and collective farms; the building section, which projects new industrial and municipal building; the transport and communications sections, which look after the development of railroad and water transport and means of communication; and the section of consumption and distribution, which endeavours to adjust supply and demand and to direct the flow of goods to the places where they are most needed.

The State Planning Commission also includes a section of labour and trained experts, under which come the problems of supplying engineers and skilled workers and such labour questions as wages, productivity, social insurance and rules for protection of workers, a section of economics and statistics, an organisation section, which plans the work of the Commission itself, and sections of Culture and Science, of which the former specialises in general educational work and the latter in scientific research.

The material on which the State Planning Commission bases its recommendations and control figures comes from a great variety of sources. Every factory

makes up its own production plan, which is passed on to the State trust, which has charge of a number of factories. The trust makes up its own plan, based on the reports of its factories, and through a succession of stages these plans come to the highest Soviet industrial authorities. Formerly all State industries were under the management of a single institution, the so-called Supreme Economic Council; recently, in line with a general tendency towards decentralisation, the Supreme Economic Council has been divided into three departments: a Commissariat for Heavy Industry, a Commissariat for Light Industry and a Commissariat for Timber. Each of these Commissariats communicates its final projects to the State Planning Commission, which receives similar material from all other State departments and from the central organisations of the State and collective farms. On the basis of all this data the State Planning Commission works out its five-year and one-year plans, aiming, so far as possible, to co-ordinate production with such factors as the supply of labour and raw material, the financial possibilities, etc.

The functions of the State Planning Commission are those of an expert advisory body, rather than of an economic dictator. Final authority in regard to the confirmation or modification of the Commission's schemes rests formally with the Soviet Government and actually with the executive organs of the ruling Communist Party. In January 1932, for instance, directions for the making up of the second Five-Year Plan were submitted to the Communist Party Conference on the basis of reports prepared by the Premier, V. Molotov, and the President of the State Planning Commission, V. V. Kuibishev, and approved by the Political bureau, which is a potent inner committee within the large Communist Party Central Committee. These directions were ratified by the Conference without any essential modification. No doubt they were based to some extent on material which had previously

been prepared by the State Planning Commission, and this body will have the further function of working out more precisely the details of the second Plan, which has so far only been shaped in general outline.

The system of planning for five-year periods is based on two considerations: first, that on the average Russia may expect one bad harvest in every five-year period, and secondly, that in five years a cycle of major new enterprises can be constructed and put into operation. As experience has shown, any five-year plan is almost inevitably subject to substantial modifications as a result of unforeseen circumstances. More precision can reasonably be expected in the one-year projects, which are now prepared for each calendar year.

When the year's plan of national economic development is adopted it is considered obligatory for all State enterprises, and any failure to carry it out is regarded as a serious dereliction of duty. Improvements on the original plan, on the other hand, are welcomed, in so far as they do not involve additional expense or otherwise disturb the equilibrium which the plan endeavours to establish. So factories and farms are encouraged to put forward so-called counter-plans (*vstretchni* plans), exceeding the required minimum as regards quantity and quality of output, amount of grain or other produce to be sold to the State, etc.

Lacking the private capitalist stimulus which comes from personal ownership of factories, stores, farms, etc., the Soviet economic system has developed a number of socialist stimuli to production and also possesses an elaborate network of controlling bodies which supervise the execution of the plan.

A typical Soviet stimulus to production is the so-called socialist competition, which is usually carried on between factories or between institutions of similar size and characters. Representatives of the workers in two factories, for instance, will sign a contract to increase output, reduce waste, lower cost of production

more than the official plan requires. The winner of the competition will be awarded a red banner and perhaps some other prize; the loser, if the showing has been very bad, will be held up to scorn and ridicule in the press.

Another such stimulus is the enrolment of workers in "shock brigades," members of which are bound to do more than the ordinary allotment of work. The best "udarniki," as the members of the shock brigades are called, are awarded prizes and medals; their pictures and accounts of their achievements are printed in the newspapers; and they receive more tangible rewards in the shape of preferential supply of food and clothing, preferential admission to rest-homes and sanatoria, advantages as regards the admission of their children to the higher schools and universities, etc.

The most important and most constant Soviet agency of control over the functioning of the State political and economic apparatus is the Rabkrin, to use the Russian abbreviation for the Commissariat for Workers' and Peasants' Inspection. The Rabkrin is really a board of State audit and control. It has the right at any time to inspect the functioning of any State institution and its reports are a regular source of information about the actual fulfilment of the plans in various fields of activity. The Rabkrin is very closely associated with the Control Commission of the Communist Party, which fulfils in the Party something of the same functions as the Rabkrin in the State. The economic department of the Gay-Pay-Oo, or Political Police, is a potent punitive instrument of control over the economic life of the country.

The Soviet press is also supposed to exercise constant watchfulness over the progress of industry, agriculture, transportation, etc. Although every publication in the Soviet Union is under the strictest governmental control, a very considerable amount of unfavourable criticism, especially in the economic field, is to be found in the columns of the Soviet press. This is because the

Soviet leaders are quite aware that, in the absence of any tolerated political opposition, self-criticism is a vital and essential means of revealing abuses and failures and pointing out ways for their correction.

Throughout Russia there are millions of worker and peasant correspondents, *i.e.* workers and peasants who occasionally or regularly write to the newspapers about conditions in their factories and farms, and their correspondence is another source of information and control. It is a common Soviet practice for brigades, or small groups of workers, to investigate the work and examine the personnel of State institutions, and so-called "raids of the light cavalry" represent another form of control over the work of public institutions. The "light cavalry" consists of members of the Union of Communist Youth who, individually or in groups, without announcing their purpose, visit shops, railroad stations, offices and other institutions and report alleged cases of bureaucracy or neglect of duty.

The Five-Year Plan which was framed to cover the period from 1926 until 1931 did not correspond with the subsequent development of Soviet economic policies and was superseded by a new Five-Year Plan, which went into effect on October 1st, 1928, and was originally supposed to run until October 1st, 1933. When the quantitative requirements of this Plan were exceeded during the first years of its operation the slogan "The Five-Year Plan in four years" was officially adopted. In 1930, however, a change was made in the reckoning of the Soviet economic year, which was henceforward made to coincide with the calendar year, instead of running from October to October, as formerly. The Soviet programme now is to achieve by the end of 1932 a volume of physical production slightly in excess of the figure originally proposed for October 1st, 1933. If this programme is realised the Five-Year Plan will have been quantitatively carried out in four and a quarter years.

When the Five-Year Plan was framed the most

important political and economic problem which confronted the Soviet Government was the development of agriculture. While Soviet industry, after the adoption of the New Economic Policy, steadily increased its production from year to year, agriculture, after having approximately regained the pre-war level of production, showed distinct tendencies towards stagnation in 1927 and 1928. Under the New Economic Policy the Russian countryside became a huge mass of small peasant holdings which tended to increase in number and diminish in size. The amount of land farmed in large units, such as State farms, operated, like the factories, by the Government, and collective farms, operated by co-operative groups of peasants, was very small, less than 2 per cent of the total planted acreage.

The twenty-six million small peasant holdings which existed in Russia in 1928 gave an extremely low marketable yield. They could not be consolidated into larger individually owned farms, because the Soviet law forbade the sale of land. Heavy taxation and various political and social discriminations tended to check the development of the more prosperous peasants, who were called kulaks. The further growth of industry was threatened by a shortage of food-stuffs and raw materials.

The Five-Year Plan proposed to solve the economic dilemma represented by the failure of agriculture to keep pace with industry by a variety of measures. Twenty per cent of the peasant households were to be organised by 1933 in collective farms, which, it was believed, would give a larger marketable surplus than the individual holdings. A number of huge grain farms, under State operation, were to be started in various parts of the country. The acreage under cultivation was to rise from about 118,000,000 hectares to 141,000,000 hectares, and a number of agricultural measures calculated to increase the yield per hectare were to be put into widespread use.

At the same time the Five-Year Plan projected for

the Soviet Union a rapid process of industrialisation. The total volume of industrial production was to increase almost two and a half times between 1927–28 and 1932–33. The yearly rates of increased industrial output projected under the Plan exceeded 20 per cent. Special attention was concentrated upon the basic industries, mining, metal-working, chemical, electrical, machine-building, output of building materials. These were to grow at a much faster pace than was outlined for the industries which turn out goods for direct personal consumption.

The Plan was originally conceived in two variations, a maximum, reckoning as favourable such unpredictable factors as climatic conditions and foreign trade and credit possibilities, and a minimum, reckoning with unfavourable developments in these fields. Inasmuch, however, as it is only the maximum variation which has subsequently been taken as a basis of comparison, it alone need be taken into consideration.

The large amount of new industrial construction required for the realisation of these schemes of industrialisation was to be financed from the internal accumulations of the country and especially from such sources as the profits of State enterprises, the proceeds of State loans and the projected reduction in costs of production by 35 per cent over the five-year period. Labour productivity was supposed to grow by 110 per cent, nominal wages by 38 per cent and real wages by 66 per cent, while the cost of living was to be reduced by 14 per cent. The consumption of meat was to grow by 27·7 per cent for the city and by 16·7 per cent for the rural population; the city population was to eat 72 per cent, and the rural population 45·2 per cent more eggs; the consumption of milk products was to increase by 55·6 per cent in the towns and by 24·7 per cent in the country districts by the end of the Five-Year Plan.

So the main economic objectives of the Plan may be described as a large increase in the physical volume of industrial and agricultural production and an

improvement in the daily standard of living of the population. As a result of the intensive development of its heavy industries the Soviet Union might reasonably be expected to become more independent, economically, of the outside world and more formidable as a military power.

1932 is the last year of the revised Five-Year Plan, and the country is already on the threshold of a new Plan, designed to operate from January 1st, 1933, until December 31st, 1937. However one may evaluate the success of the Plan, its profound significance as a transforming factor in the economic life of the Soviet Union is unmistakable.

Its most striking effects are visible in agriculture, where the whole system of peasant proprietorship has been to a large extent destroyed. As a result of very strong economic and administrative pressure the collectivisation of Russian agriculture has become to a large degree an accomplished fact. A very potent factor in bringing about this result was the so-called liquidation of the kulaks, or richer peasants, as a class. The three, four or five per cent of peasants who in various regions might be considered kulaks have been, with few exceptions, driven from their homes; their property has been confiscated and they themselves have been either exiled to distant parts of the country or left to eke out an existence on barren lands outside the village limits. The profound effect of this measure on the other peasants, especially upon the middle-class peasants, who, if they attained a slightly higher degree of prosperity, might easily be considered kulaks, can scarcely be over-estimated.

So collective farming advanced much more rapidly than the Plan had proposed and now embraces 62 per cent of the peasant households of the Soviet Union. It is most complete in the rich grain regions of southern and south-eastern Russia and least advanced in the northern provinces, with their poorer soil, and in some of the autonomous republics inhabited by non-Russian

nationalities. Collective farming has probably not yet reached its final form, and there is still a good deal of experimentation in such fields as organisation and compensation of labour. Most of the collective farms are not pure communes, but artels, or producers' co-operatives, where the peasants retain their individual houses, gardens and smaller animals, while pooling their land, labour and larger machines and working under the direction of an elected board of management. The members of the collective farm are paid for their work on a piece-work basis partly in kind and partly in money. Although the collective farms possess the legal status of voluntary peasant co-operative associations they are in practice closely controlled by the State, which has a controlling voice in such questions as how much land the farms shall plant, what crops shall be cultivated, how much produce must be sold to State or co-operative agencies at fixed prices. Although the collective farms do not always deliver up their produce as completely and quickly as the State desires, they are much more easily subject to external control and much more capable of being fitted into a national scheme of planned economy than the small individual homesteads which they have replaced.

Centralised control of the collective farms is further promoted by the sweeping growth of the so-called machine-tractor stations, of which there are now about 1,400 in the Soviet Union. These stations, which are State operated, are central points from which tractors, harvesting *combines* and other large machines are sent out to till the land of the neighbouring collective farms. They are equipped with repair-shops.

The success of the Five-Year Plan in other fields has been varied and uneven. The Soviet Premier, Vyacheslav Molotov, in a recent speech, mentioned as outstanding victories of the Plan the complete abolition of unemployment, the sweeping character of agricultural collectivisation and the creation of a new metallurgical basis for the country in the Urals and Western

Siberia. As outstanding defects he mentioned the failure to increase productivity of labour at the projected pace, the slight progress which had been made in raising the harvest yield and the non-fulfilment of the measures necessary for the reconstruction of the transportation system.

Broadly speaking, it may be said that in the matter of quantity production and new industrial construction the Plan has kept somewhat ahead of the prescribed pace. It is not yet certain whether it will be quantitatively fulfilled by the end of 1932. This depends upon the realisation of the year's plan of industrial output, which calls for a growth of 36 per cent, by comparison with 1931. If this 36 per cent is achieved the general volume of production designed for the autumn of 1933 will have been reached by the end of 1932. The Plan will not be fulfilled with precise evenness. Certain branches of industry, such as oil and tractor-manufacturing, have already exceeded the figures which were marked out for them in 1933. Other branches, such as iron and textiles, will not quite fulfil their Five-Year Plan figures even if the 1932 plan is fully carried out.

In the matter of raising the standard of living the Plan has failed as clearly as it has succeeded in promoting a rapid growth of industrial output, especially in the heavy industries. True, money wages have increased even faster than the original Plan prescribed. But prices and other charges, such as railroad fares, have grown faster than the wage-scales, and the purchasing power of the Soviet rouble is further reduced because many articles which could be freely bought in 1926 and 1927 are to-day either unobtainable or purchasable only in small rationed quantities.

The decline in the individual standard of living between 1927 and 1931 is most clearly reflected in the extreme shortage of many food-stuffs and manufactured goods. Soap, sugar and tea, for instance, are rarely found in country districts to-day, while in the towns the

rationed allotments of many food articles are small, and in provincial towns, where there are no large factories and where there is less effort to ensure a regular supply of food than in the industrial centres, meat, fresh fish, butter and cheese are sometimes almost completely lacking. The main causes of the stringency in supply would seem to be the wholesale destruction of cattle by the peasants in the winter of 1929–30 (this was partly a protest against arbitrary and violent methods of forcing collectivisation and partly a result of the lack of grain food and fodder), the unsatisfactory functioning of the transportation and distributive systems, which take a large toll in spoiled and wasted products, and the foreign trade policy of the Soviet Government, which was to import almost exclusively production goods, *i.e.* machinery and equipment, while exporting all available products, including soap and food-stuffs which could easily have been consumed inside the country.

The financial side of the Five-Year Plans has developed along quite unexpected lines. Originally the amount of currency in circulation in 1933, at the end of the Plan, was set at 3,200,000,000 roubles. In actual practice the amount of currency increased far beyond this limit. There were 2,642,200,000 roubles in circulation on October 1st, 1929; 4,263,900,000 roubles on October 1st, 1930, and 5,181,700,000 roubles on November 1st, 1931. The disproportion between this large amount of circulating currency and the scanty supply of commodities accentuated the discrepancy between supply and demand and led to a popular joke to the effect that the Russians are the richest people in the world, because they don't know what to do with their money. The main explanation for this unplanned expansion of the currency is perhaps to be found in the fact that every year budget calculations were thrown out of gear by the failure of State enterprises to reduce expenses at the prescribed rate. After adhering for some time to a system of fixed and stable prices, the

Soviet authorities began to restore equilibrium between commodities and currency during 1931 by setting up an extremely high price-list for many articles which were not included in the rationing system and also by raising very substantially the prices in co-operative shops. It cannot be said, however, that equilibrium has been fully established as yet.

The first Five-Year Plan did not solve the problem of quality, and poor quality often offsets to a very considerable degree the quantitative achievements of the last years in Russia. Transportation failed to cope adequately with the rapidly growing needs of industry and agriculture, and defective transportation was a weak spot in the Soviet economic system almost from the beginning of the Plan. Apparently the original projects for the development of the transportation system were calculated on an inadequate basis.

Before the first Plan was finished the outlines of a second Five-Year Plan were discussed and ratified by a Communist Party Conference which met in Moscow during the last days of January and the first days of February 1932. The second Plan, like the first, proposes an increase of industrial output by about two and a half times. It differs from the first in giving a much more prominent place to the development of those industries which minister to the everyday needs of the population. An increase of two or three times in the supply of food-stuffs and of manufactured articles of broad consumption is promised by 1937.

The second Plan very definitely aims at securing for the Soviet Union the maximum degree of independence of the outside world. So the output of the machine-building industries is to increase by three or three and a half times between 1932 and 1937, so that " all the needs of the reconstruction of industry, transport, communication, agriculture, trade, etc. would be supplied by the internal production of the most complete and contemporary machines," to quote the resolution adopted by the Party Conference.

The second Plan envisages an output of 22,000,000 tons of pig-iron and 250,000,000 tons of coal in 1937. Last year the output of pig-iron was 4,900,000 tons and that of coal about 57,000,000 tons, and in 1932 the Plan calls for 9,000,000 tons of pig-iron and 90,000,000 tons of coal.

The greatest development in the second Plan is marked out for the electrical power industry, which is supposed to grow sixfold. In agriculture the Plan projects complete collectivisation, the creation of machine-tractor stations to serve all the collective and State farms and a very considerable increase in agricultural output, to be achieved not so much by the extension of the planted area as by the enhancement of the yield per hectare through improved farming methods.

The second Plan also looks forward to the achievement of a Communist politico-economic ideal: "The final liquidation of capitalist elements and of classes in general, the complete destruction of the causes which give birth to class differences and exploitation and the overcoming of the survivals of capitalism in economics and in the consciousness of people, the transformation of the whole toiling population of the country into conscious and active builders of socialism."

The adoption of a socialist planned economic system in the Soviet Union, which ranks with the United States of America as one of the two largest and richest national economic units in the world, is an event of great and unmistakable significance. Because of the extent and variety of its natural resources and its self-sufficiency as regards basic food-stuffs and raw materials the Soviet Union is freer than most countries from economic interdependence with the rest of the world, and this fact enhances both the importance and the practicability of the experiment.

What is the balance-sheet of planned economy in the Soviet Union up to date? It has certainly helped to save the country from the unemployment, the industrial

and commercial stagnation, the waste of non-producing equipment which have been conspicuous features in the life of most highly industrialised countries between 1929 and 1931. It has done this while imposing a low standard of living on the employed population and it has regulated the economic life of the individual to a degree which would perhaps not be accepted in most other countries. The technique of planning in the Soviet Union is far from infallibility. In 1931, for instance, the year's plan called for an output of 8,000,000 tons of pig-iron, and the actual production was only 4,900,000, a serious under-fulfilment which had inevitable repercussions on other industries and on the transportation system. If certain forms of waste which are vividly evident under the private capitalist system in periods of crisis (for instance, the deliberate destruction of grain and coffee) have not occurred in the Soviet Union, the latter country has its own forms of waste, as may be judged from the fact that 30 per cent of the fish caught in Soviet waters spoil before they reach the consumer, while complaints about the large losses of such perishable products as fruit, vegetables and milk through careless handling are chronic.

Notwithstanding all defects and shortcomings in execution, Soviet planned economy has proved its vitality and workability and has given the Soviet Union a powerful push towards the goals which its Communist rulers have set: industrialisation along modern lines and collectivisation of agriculture. Perhaps the decisive comparison between Soviet planned economy and capitalist economy will come if and when the everyday needs of the population as regards food, clothing and ordinary manufactured goods are satisfied. Then the directors of the planned economic system, whose task to-day is in one sense comparatively simple, namely to drive ahead production in every field at maximum speed, will find themselves confronted with the more complicated problem

of diverting to other fields labour and capital from those industries which are already producing as much as can be consumed.

The Communists are confident that their system affords the possibility, through increasing wages or through shortening the hours of labour, of passing on the benefits of increased output and higher productivity of labour to the workers and to the consumers, without ever allowing supply to grow unmanageably large, in relation to demand. They believe that their economic history will be free from the periodic crises and depressions which mark capitalist economic history and that, for this reason, among others, they are destined within a relatively near future to achieve Lenin's ideal of " overtaking and outstripping, as regards technique, the leading capitalist countries."

# II

# ORGANISATION OF ECONOMIC LIFE

By Hans Jonas
Königsberg
(Director of the East German Fair)

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### I

When the Bolsheviks routed the newly-fledged Russian democratic republic in November 1917 and seized power for themselves, they had at their command a ready-made programme for the reorganisation of economic life. In pursuance of this programme, banks, industries and private property in land were taken away from the private organisations to whom they belonged under the capitalistic system and declared to be State property. They were nationalised and hence passed over into the possession of the Workers' and Peasants' State. Originally the programme anticipated a "Workers' Control" as a transitional measure, a supervision of economic life by the proletariat, but a few months after the seizure of power the Soviet State was compelled to take over the actual administration of national economy now heading for a collapse. By virtue of this transference of economic control to the State, the Soviets were able from the outset to bring economic life under a unified administration. When, in the ensuing years, it became apparent that the youthful State would have to struggle hard to maintain itself, more and more insistence was placed on the demand for a greater centralisation of the administrative machinery. Accordingly, the new issue confronting the Soviets was how to set up a unified, centrally-controlled national economy

on foundations laid down in accordance with a definite plan and providing for a planned regulation of production.

The supreme organ of authority in the newly-created U.S.S.R. was the All-Union Congress of Soviets. It was responsible for the drawing up of a general plan for the elaboration of the entire national economy and *its individual branches within the territory of the* Union. This unqualified right to determine all questions of economic policy was transferred to the Congress of Soviets of the Union of Socialist Soviet Republics which, as the supreme organ of authority, was called into being in December 1922 and to-day embraces seven autonomous republics: the Russian S.F.S.R., the White Russian S.S.R., the Ukrainian S.S.R., the Transcaucasian S.F.S.R., the Uzbek S.S.R., the Turcomen S.S.R. and the Tadzhik S.S.R. The Council of People's Commissaries of the Union of Socialist Soviet Republics has been, from the beginning, the executive and directive organ of the Government, its various departments corresponding when first formed to the ministries of the Kerensky government. Those commissariats that have to perform tasks of vital national importance or tasks extending beyond the national frontiers, are directly responsible to the Union Government in Moscow. Another group of commissariats, the so-called "Unified People's Commissariats," has to fulfil duties not only in Moscow but also in the territory of the united republics. A third group has been called into being by the united republics, and each commissariat falling under this head has only local authority. Of the commissariats responsible for the conduct of the economic life of the Union, those falling under the heading of People's Commissariats of the whole Union are:

Foreign Trade,
Transport,
Post and Telegraphs.

Those falling under the heading of Unified People's Commissariats are:

Supreme Economic Council,
Finance,
Food Supply.

Agriculture was originally under the jurisdiction of the Commissariats for Agriculture in the respective republics. Although on the executive side the administration of national economy was graded to a certain extent, and in the important domain of agriculture left in the hands of the united republics, the constitution gave the supreme organ of authority the right at any time to repeal any economic ordinance passed by the organs of the united republics when, in the opinion of the Central Government, it does not correspond with the constitution.

Geographically, the administration of the Soviet State is modelled on that which prevailed in czarist Russia. At first it retained the same division into gouvernements which Peter the Great had introduced as a means of effecting the political expansion of Russia. Some of these administrative territorial divisions grew up quite without definite plan. Thus the old Russian Empire was divided up into 101 gouvernements, 812 regions (uezds) and 16,720 volosts. This excessive splitting up of the administration has handicapped the Soviet Government very considerably. In the first place, there were not enough trained and politically reliable officials to fill the posts created by this overelaborate system. The drawbacks became more ostensible when the Soviets began to concentrate on industrialisation. Industrial factors had to be reckoned with in re-casting the map of the Union. And so the Soviets adopted the method of zoning, a vast administrative reform begun in 1924 and carried through by 1930. It did away with the old gouvernements and in their stead set up as the supreme administrative unit the "region" (oblast). These "oblasts" are indus-

trial regions in the true sense of the word because they are formed in such a way that each represents an economic entity specialising in the production of certain products which, from the point of view of the entire national economy, can be produced to the greatest advantage within its borders. These new regions have their own peculiar physiognomy; as a rule they are either pronounced agricultural, industrial or forest areas. On the basis of their raw materials and sources of energy they are to develop their industry all at the same rate and all within the compass of the Five-Year Plan, even in the most outlying region. This tremendous reorganisation of administration can be regarded to-day as completed. Within the territory of the Soviet Union there have been created 2000 regions instead of the 15,000 existing in 1924, and fourteen autonomous economic areas instead of the eighty-four gouvernements: North (forestry), Leningrad (heavy industry), West (agriculture), Moscow (manufacturing industry), Ivanovo-Vosnesensk (textile industry), Nijni-Novgorod (production of the instruments of production; forestry), Central Black Earth Area (agriculture), Middle Volga (agriculture), Ural (mining and smelting), Lower Volga (agriculture; manufacturing industry), Northern Caucasus (natural resources; agriculture), West Siberian (heavy industry; agriculture), East Siberian (natural resources; forestry; cattle rearing), Far Eastern Area (forestry; fishing; furs). These fourteen supreme administrative areas formed in accordance with economic requirements stand in close relation to the eight autonomous administrative units set up within the territory of the U.S.S.R. as allied republics formed in accordance with the principle of nationality but showing specific economic features.

According to the constitution of the Soviet Union, this vast realm with its present population of 165 millions increasing by three millions every year, is governed by the Congress of Soviets. As a matter of fact, the Congress of Soviets has been losing a great

deal of its significance and is now rarely summoned. It is a big assembly in Moscow of the representatives of all the Soviet States and the individual Soviets. During the interim between Congresses of Soviets, the government of the country is carried on by the Central Executive Committee elected by the Congress of Soviets, and by the Council of People's Commissaries. Both these supreme authorities, one headed by M. Kalinin as a sort of President of the Union, the other by V. Molotov as a sort of Chancellor, issue the decrees and ordinances for the regulation of economic life.

All economic measures are discussed and resolved in a collegium originally composed of the chairmen of those people's commissariats that concern themselves with economic affairs. This collegium is styled the Council for Labour and Defence, an institution dating from civil war times and the days of militant communism. Besides having to decide on matters of national defence, the Council for Labour and Defence (S.T.O.) controls the entire economic life of the nation. It has to supervise and carry out all economic and financial planning, to investigate the situation with regard to the various branches of national economy and to determine the tasks of the people's commissariats in the field of economics. It nominates special committees for tackling problems of paramount importance; for example, in February 1932 it elected the "Committee for the Holding Ready of Agricultural Products," a committee formed to conduct the campaign for the accumulation of stocks, formerly a work for which each economic commissariat was held responsible. Chairman of this economic body, undoubtedly the most important economic authority in the land, is Molotov, the chairman of the Council of People's Commissaries. Some idea of the significant rôle played by the S.T.O. is given when it is pointed out that Stalin is one of its eleven members. It is his only official post apart from his function as General Secretary of the Communist Party. Indeed, the S.T.O. is in the hands of that small

clique of Stalin's chosen followers which now practically rules the entire nation. Disputes as to questions of competence, such as one might well imagine to be of frequent occurrence owing to the complexity of Soviet governmental institutions, are avoided by reason of this close personal collaboration between a few outstanding industrial leaders and organisers. It is this fact, too, that assures a uniform policy in the conduct of economic life.

Apart from Stalin, the most prominent members of this clique are Ordzhonikidze, Mikoyan (the Commissary for War), Voroshilov, and the younger spirits, V. Molotov (Commissary for Workmen's and Peasants' Inspection), and Andrey Andreev (Commissary for Transport). Andreev is also chairman of the Central Control Commission of the Central Committee of the Communist Party. It should be remembered that all these leaders and organisers of economic life are members of the Party and actually play an outstanding rôle in the Party. The truth is that the Party, and its leader, Stalin, constitute the decisive factor in determining all questions of economic policy and economic organisation. Formerly this ruling clique seldom came to the fore, but to-day everything possible is done in broad daylight to buttress their authority. Since 1930 important economic ordinances carry the signature of Stalin in his capacity as General Secretary of the Party, as well as the signature of Molotov as Chairman of the Council of People's Commissaries. It even happens that an important economic ordinance is issued at the same time by the Central Committee of the Communist Party acting quite independently of the Central Executive Committee of the U.S.S.R., and a comparison of the two ordinances sometimes shows that the one issued by the Communist Party contains more exact information about the economic position than the one issued by the supreme Government organ. The development that began with Stalin's entrance into the Council for Labour and Defence is now bearing fruit:

the Communist Party is not only the power behind the throne, it is openly sharing in the work of administration. The principle of highly centralised control in the organisation of the State has therefore been extended to include the conduct of economic life.

In order to ensure that the instructions and ordinances of the Soviet Government in the sphere of politics and economics do not remain mere instructions and ordinances, there was formed in December 1930 the so-called " Realisation Commission," a permanent body which, like the Council for Labour and Defence, is subordinate to the Council of the People's Commissaries of the Soviet Union. It consists of five members, all drawn from the same clique which in the S.T.O. and in the Council of the People's Commissaries controls the economic destiny of the Soviet Union. At present the Commission is composed of Molotov, as chairman, Andreev, and a functionary from each of the following bodies : the Communist Party, the Soviet Trade Unions and the Collectives. Despite all the advantages resulting from this close personal collaboration in high quarters, it is plain that these will be offset by considerable drawbacks. The leaders will be overburdened with work, in which case the long conferences and deliberations so common in Moscow are less likely to lead to practical results.

The sphere of activity of the Realisation Commission is very varied. It receives the reports compiled by the commissariats and the economic organisations, carries out readjustments on the spot and takes the lead in the fight against bureaucracy in the administrative apparatus. Its ordinances, published in the legal organ of the Soviet Government side by side with those issued from high quarters, concern all questions pertaining to the economic life of the Soviet Union. When in conference it does not devote its whole attention to giving out instructions of a general nature, but deals with the ordinary troublesome problems of daily life, for instance, when concerns are tardy in paying out

wages, when the work of repairing locomotives is held up for some reason or other, when there is an unforeseen shortage of spare parts for tractors, when teaching staffs complain of an inadequate supply of food-stuffs and materials, or when a newly-built factory fails to commence operations.

A third commission subordinate to the Council of People's Commissaries, is the State Planning Commission of the Soviet Union, set up at the time of the transition from the period of militant communism to the era of the New Economic Policy. It undertakes the work of industrial planning as one of the most essential and peculiar aspects of integral communism. Not unjustly the Gosplan has been referred to as the General Staff of Soviet Economics. From the outset its composition has been on a broad basis and embraces many non-Party experts entrusted with the task of building up the various sectors of economic life. In the offices of the Gosplan the separate economic plans of the individual republics are co-ordinated and elaborated into an annual economic plan for the entire Union. It has also to control the realisation of this economic planning. For several years the Gosplan acted as a body of experts holding themselves in readiness to give advice to the Soviet Government on all economic questions. Its outstanding task was the setting up of the Five-Year Plan and, since the autumn of 1925, the compilation of the Control Figures which set forth for each year the estimated production, thus giving the possibility of measuring actual achievements at the end of the year.

It is impossible to elude the impression of a recent decline in the importance of the Gosplan somewhat similar to the decline that occurred in the importance of the Central Statistical Bureau, which once enjoyed all the rights of a people's commissariat and to whose initial publications the Soviet Government attached great significance on the grounds that they were the indispensable presuppositions of a planned economy.

Since March 1932 the Bureau has been regarded as a subordinate department of the Gosplan. In contrast to the Realisation Commission which, as a Government organ with executive powers, is composed of only a few members, the State Planning Commission, together with the Statistical Bureau, has a staff numbering several thousands and an apparatus covering all parts of the Union.

Until the early part of January 1932, the oldest economic authority of the Soviet State was the Supreme Economic Council. It was the survival and elaboration of the economic organisation called into being in Russia during the war and comprising bodies such as the Fuel Control, Transport Control, and so forth. These bodies were taken over by the Soviet Government after the October revolution and became the first organisatorial units of the Supreme Economic Council. The latter was formally established on December 13th, 1917, and it was intended at the time that it should ultimately be elaborated into a ministry for management of the economic life of the Union. Besides industry, it was to control trade, commerce and finance in accordance with the principle of centralised management so that it would be possible gradually to do away with the individual economic commissariats. At the same time it was intended to make it the supreme planning and administrative body for all economic questions. As a matter of fact, its development took quite a different course. The economic commissariats remained in existence, whilst the control of industry was left in the hands of the Supreme Economic Council, now itself converted into a People's Commissariat. In place of the intended ministry for the control of the entire economic life of the Union there appeared simply a ministry for industry, while economic planning was made over to the Gosplan and economic management and control to the Council for Labour and Defence.

The entire industrial activity of the Soviet Union was placed in the hands of the Supreme Economic Council.

This industrial activity has been divided into three departments, namely, the industrial life of the Union as a whole, the industrial life of the allied republics and local industrial activity. Included under the head of Union industry is, for example, the heavy industry, while undertakings of a more local character are managed by the local organs of the Supreme Economic Council. This dividing up of control is the outcome of the effort to counteract the danger of an excessive centralisation of industrial management. Latterly, the only industry beyond the control of the Supreme Economic Council is the food-stuff industry. It has been put in the hands of the People's Commissariat for Supply since it is desired to bring this branch of industry into closer contact with the consuming public.

In none of the Government organisations has there been so much done in the way of experiments as during the last five years in the organisation of the Supreme Economic Council. As it would take up too much space to describe all the amazing and, at times, confusing aspects of this historic development, mention will be made only of the last basic reform carried out in November 1930. At that time the sphere of activity of the Supreme Economic Council and its subordinate organs was defined as follows: to control all unified industrial planning while allowing as much latitude as possible to the initiative of the individual units of production, to safeguard the technical management and to see that proper accounts are kept. The reform relieved the Supreme Economic Council of detailed work so as to allow it to concentrate its attention on the general control of industrial production. Its so-called "head administrative departments" were closed down and their rôle taken over by the Union Industrial Associations, one for each branch of industry. These associations co-ordinate all the units of production or distribution that go to form a branch of industry. They are not intended as a type of bureaucratic organisation but have to concern themselves primarily with

questions of accounting. The trust—that is, the association of units of production of a like character, a vertical co-ordination upon which up to now the main weight of the Soviet industrial structure has rested—is disappearing or joining the Union Industrial Associations as an individual member. A start was made by forming about forty of these Union Industrial Associations: the Union Association for the Electro-technical Industry, for example, the Union Association for the Paper and Celluloid Industry, the Union Association for the Production and Manufacture of Non-Ferrous Metals, and so on. Here all is still in a state of becoming. Old associations are being dissolved and new ones being formed, leading to a considerable re-grouping of the various units of production. Furthermore, an attempt is being made to put an end to the parallelism that has appeared between the trusts and the chief administrative departments set up by the Supreme Economic Council for the control of the individual branches of industry. The trusts, formed with the object of delivering raw materials and organising the marketing of products, for the same purpose, that is, as the trusts in capitalist countries, were of greater significance and had a greater influence on production. The fact that they had lacked this influence in the past had been felt as an obstacle to their further growth.

The increase in planned industrial activity in conjunction with the Five-Year Plan called for a still more thoroughgoing specialisation and splitting up of industrial management. Stalin gave the incentive in the speech he delivered at the Conference of Economic Experts on June 23rd, 1931, in the course of which, referring to the new organisation of business management, he declared: "Our present clumsy associations, in some cases embracing from 100 to 200 undertakings, will straightway have to be made smaller in size and divided up into several associations. It is clear that the chairman of an association of 100 or more units of production cannot get to know their possibilities or

what is actually going on. Naturally, unless he is able to acquaint himself fully on these points, he cannot control them. In order to give the business managers the opportunity to make themselves fully acquainted with the units under their control, it will be necessary to relieve them of the burden of too many concerns, it will be necessary to split up the associations and to bring the individual units closer together." The wishes of the leader were very soon fulfilled. Whereas it formerly happened that (to cite one example) a "Chief Administrative Department" of the Metal Industry united under one control the mining industry and the entire machine-construction industry, to-day this administration has been split up into the following Union Industrial Associations: "Stal," co-ordinating the factories in Southern and Central Russia; "Vostokostal," co-ordinating the factories in the eastern parts of the Soviet Union, especially in the Urals; and also a number of union associations for machine construction. Some of these Union Industrial Associations have in the meantime been subdivided; for instance, the Textile Union Association was split up into three distinct associations to meet the requirements of the cotton, flax and woollen industries.

This specialisation of industrial administration conceived on a grand scale and still in its initial stages of development should be considered in conjunction with the creation of powerful industrial combines. These industrial combines represent a collection of undertakings assembled around a centre which may be either a source of raw materials or a source of energy production. All the primary products and by-products produced by the various units of the combine are produced from the raw materials obtainable at this centre. One of the latest combines is the Saporoshe Combine, assembled near the power station at the Dnieper Dam, where operations were commenced on May 1st, 1932. New big industrial undertakings are springing up in the immediate vicinity of this huge dam, smelting works,

steel mills and iron foundries, rolling mills for the production of semi-manufactured and fully-manufactured goods, chemical works, machine-construction factories and other works. This huge unit of production is to be fed by a 650,000-h.p. transmission current.

In order to improve the technical management of industrial production and to establish closer contact between science and industry, most of the scientific research institutes have been taken over by the Union Industrial Associations. In accordance with the insistent demand of communism, it was decided at the Moscow Conference of Soviet Economists, held in April 1931, to place technique and the natural sciences in the service of communist integration and to subordinate science to the Plan. A new formulation was given to the close connection that has existed for years between Soviet science and Soviet industry. One of the first things undertaken by the Soviet Government was to set up industrial research institutes. Twenty-four such institutes were in existence in the year 1928, and by July 1931 this number had increased to 121, giving employment to a staff of 27,000 research workers. A survey of industrial and economic research work in the Soviet Union would disclose the fact that there are 7 academies, 650 institutes and 150 special scientific laboratories. Funds granted in 1931 for furthering scientific research amounted to 3,595 million roubles. Scientists visiting Russia from capitalist countries are often amazed at the huge sums placed at the command of their Russian colleagues by the Union Industrial Associations to which these research institutes are now affiliated, and not a little envious of the way in which the Russian research workers are permitted and encouraged to do work of a purely scientific character over and above their practical work in the interest of the trust. To-day, to mention some examples, the Oil Research Institute is affiliated to the association "Sojusneft," the Central Institute for Peat Research to the association "Sojustorf," the Institute for Agricultural Mechanics

to the association "Sojussel-mash," and so on. Like the research institutes, the educational institutions are also being made more and more subordinate to the Union Industrial Associations. Of a total of upwards of 300 technical high schools and training colleges, to-day more than 180 have been directly affiliated to industrial organisations, while the others are under the control of the economic commissariats. The problem of creating trained personnel for factories and workshops and of filling leading positions in Soviet industry by leaders drawn from the rank and file is, needless to say, still a problem of paramount importance for the Soviet Government. That in itself explains the enormous number of students; for example, there are 9,500 students attached to the Institute for Transport Engineering, 1,300 students attending the Institute for Automobile and Tractor Construction, 2,200 students attending the Textile Institute, 3,800 studying at the High School for Building, and so on. Here, too, the whole trend of the present development is to bring the educational institutions into close connection with the corresponding branches of industry.

The course laid down by Stalin in his speech of June 23rd, 1931, and aiming at a division and specialisation of the organs of economic administration, culminated in the decision of the Central Executive Committee of the Communist Party to take away the light industries and the timber industry from the control of the Supreme Economic Council. This decision, taken on January 5th, 1932, clearly shows the influence of the Party on Soviet economic policy. As a result of this step the light industries and the timber industry are each placed under the control of a special people's commissariat, while the Supreme Economic Council has been transformed into a commissariat for heavy industry. Called into being in order to co-ordinate the entire economic life of the newly-fledged Soviet State, the Supreme Economic Council has now virtually ceased to exist. Characteristic of this trend ruling to-day in the economic

organisations of the Soviet Union and providing the note for all further development, is the comment of the *Isvestia* of January 5th, 1932, on this measure: "In this significant organisatorial reform is clearly seen the policy of dividing up and specialising the highest organs of economic administration. Parallel with this has occurred a dividing up and specialising of the intermediary members, the associations and trusts. The reasons for all this reorganisation are the following: the need for bringing the directing bodies in closer contact with the actual work being done in the factories, in the field of transport and in the markets; the need for enabling the director of each branch of activity to achieve a real 'Conquest of Technique' on the basis of specialisation; the need for safeguarding a careful economic control of every branch of national economy with due regard to the prevailing conditions, a matter to which ever greater importance attaches the more the economic life of the socialised country expands, becomes more complicated and differentiated. It will endow economic life with more elasticity and lead to a more rational and more practical outlook. New forms of organisation will have to give free scope to this manifold development. The achievements of socialised integration are the mainspring of all these organisatorial changes."

The formation of a special Commissariat for Heavy Industry—under the direction of Stalin's right-hand man, Ordzhonikidze—is to be the organisatorial safeguard for an increase in production during the next few years, especially with regard to the fuel and smelting industries. The creation of a People's Commissariat for Light Industry—headed by the former trade commissioner in Berlin, S. Lubinov—is designed to stress the policy of the Soviet Government to aim, in the second Five-Year Plan, primarily at an improvement of the standard of material well-being of the workers and the collectivised peasants by an increased production of mass-consumption goods. To this end,

special marketing organisations in all branches of the manufacturing industry are to be formed by the erection, for instance, of numerous big stores for the sale of cotton goods, glassware, articles of clothing and footwear. The formation of a special People's Commissariat for the Timber Industry is intended to emphasise the importance the Government attaches to the timber resources of the Soviet Union.

The same development in the direction of specialisation has been carried out recently in the domain of other economic commissariats. The first splitting up that occurred in the People's Commissariat for Transport was the formation of a centralised administrative department for the construction and maintenance of high-roads, and on January 30th, 1931, a special People's Commissariat was formed to administer the entire water transport industry of the Soviet Union.

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In the domain of agriculture, the rapid expansion of the collectivised sector since 1927 as an outcome of the development of collective and State farming made necessary a more co-ordinated and unified control of agricultural production far beyond what had been possible when each autonomous republic was held responsible for the administration of its own agricultural affairs. The need for such unified control led to the setting up, on December 11th, 1929, of an All-Union People's Commissariat for Agriculture, an action taken pursuant to the trend initiated by Stalin towards greater centralised economic control. It was thought that much of the actual experience gathered during the work of industrialisation should be applied to agriculture with the object of establishing a unified control of production. Accordingly, existing trusts that had helped to co-ordinate the work of the State farms by organising the various branches of production and distribution were placed under the supervision of the All-Union Commissariat. A beginning was made in

this direction with the Corn Trust (Sernotrest), the syndicate formed by the State grain cultures. The principle of the specialisation of production was applied more and more to agriculture, and by the year 1930 a number of new trusts had been formed: for cattle-rearing (Skotovod), pig-breeding (Svinovod), sheep-rearing (Ovzevod), and so on. From the year 1930 onwards Soviet agriculture, like Soviet industry, begins to be built up on the basis of "Union Associations," that is, syndicates that are each entrusted with a certain definite task. The smaller organisations existing for the most part in the autonomous republics were swallowed up by these syndicates, likewise a number of the trusts. It was in this way that there came into being, in November 1930, the Union Associations for the Electrification of Agriculture (Soyuselktro), and for Agricultural Building (Soyusselstroy), and in December 1930, the Union Association for Seed Culture (Soyussemenovod).

The All-Union Agricultural Commissariat began by sharing the administration of collectivised agriculture with the most important organisation of the Russian agricultural co-operatives, the "Kolchozcentre," the central body for the peasant collectives. Moreover, the individual collectives were for the most part first started as co-operatives, that is, as producers' co-operatives for the cultivation of the land: only a few basic means of production were collectivised, whilst the cattle, for example, were retained by the peasants as their own property. Later, when the Kolchozen were organised according to the principle of specialised production, the Kolchozcentre split up into a number of Kolchozcentres, each with a special function to perform: for instance, a central organisation for seed-culture, for sheep-rearing, for rabbit-breeding, and so on.

The important function performed by the co-operative system in the development of Soviet economics has its historical significance. When the Bolsheviks came into power in the year 1917 the Russian co-operative

movement was the strongest in the world as regards the number of co-operatives and general membership. Its chief sections were the consumers' co-operatives, merged *to form the "Centrosoyus," and the agricultural* co-operatives, merged to form the "Selskosoyus." Beginning in 1918, the Soviet Government carried out the gradual nationalisation of the entire co-operative apparatus, and even when the co-operatives were re-established under the New Economic Policy as economic organisations engaged in various fields of activity, they remained in the hands of the State. From the year 1921 onwards the Selskosoyus acted as the head organisation of the agricultural co-operatives, at first as a universal central organisation. The specialisation of production adopted by the agricultural co-operatives soon brought it about, however, that in certain instances—for example, in the case of flax, butter, tobacco, etc.—the selling operations were transferred from the Selskosoyus to the newly-erected central organisations for the various branches of production: the Central Association for Flax and Hemp (Linocentre), the Dairy Co-operatives (Maslocentre), the Tobacco Co-operatives (Centro-tabaksoyus), and so forth. For grain operations there was formed in 1926 the Khlebocentre as the head organisation for the production and sale of grain, flour and oil seed. Yet, although the sale of agricultural products was gradually transferred from the Selskosoyus to the newly-formed central organisations, the supplying of agricultural co-operatives with goods of all kinds, partly imported from abroad, partly as the upshot of general agreements made with Soviet industry, was left in the hands of the Selskosoyus. But in September 1929 the Selskosoyus ceased to exist within the boundaries of the Soviet Union; its functions were taken over by the Association of Grain-Growers (Khlebocentre), but abroad, it continued to act as the official representative, in Berlin, of all the central associations of the agricultural co-operatives throughout the Soviet Union.

It would be exceeding the scope of this work to give here an account of each of the host of Government enactments dealing with the organisation of the Soviet co-operative movement, enactments dissolving certain types of organisations, splitting up others, calling new ones into being and outlining the specific functions devolving upon the different kinds of co-operatives. Since 1927 the basic tendency has been in the direction of greater decentralisation of the entire co-operative system and, with the growth of socialisation in the domain of agriculture, its increasing subordination to the Soviet Government. Since March 1931 the control of the agricultural co-operatives has been placed in the hands of the economic commissariats, the All-Union People's Commissariat for Agriculture and the All-Union People's Commissariat for Supply.

The Soviet co-operatives have also an important function to fulfil in the sphere of Soviet trade. At the time of the inauguration of the New Economic Policy, private trading still claimed a considerable share of the total volume of trade, but to-day this branch of Soviet economy is in the hands of the socialised sector. The State and the co-operatives aim at concentrating all big trading transactions, and a great part of the petty trading activity, in the hands of their organisations. The consumers' co-operatives have been very much to the fore in hastening this development. The rate at which they themselves have grown during the last several years is shown by the fact that membership has risen from 18 million in the year 1928 to 60 million in 1931, while the total turnover of the consumers' co-operatives amounted in 1929 to 20 million roubles, wholesale trade claiming about half of this sum and retail trade the other half. This expansion led to a reorganisation of the consumers' co-operative system. In the case of the Centrosoyus, which acted as the central organisation of the Soviet consumers' co-operatives, wholesale trade organisations were set up for a number of branches; for the clothing trade, for instance, for

footwear and leather goods, for cloth and woollen goods, for porcelain goods and hardware, for fruit, vegetables, and dairy products, etc. Similarly, retail organisations built up on the same principle of specialisation were called into being and took over the shops of the consumers' co-operatives.

Since November 22nd, 1930, the control of the entire domestic trade has been in the hands of the All-Union People's Commissariat for Supply (Narkomsnab). A member of Stalin's intimate circle, A. J. Mikoyan, was made the head of this new commissariat, which really came into being as the result of a division being drawn between the All-Union People's Commissariat for Foreign Trade and the All-Union People's Commissariat for Internal Trade. This combination had been formed in 1925 by merging the Foreign Trade Commissariat with the Commissariat for Internal Trade (itself arising in 1923–24 out of the Commissariat for Supply). It will thus be seen that in 1930 the Soviets reverted to the earlier usage of drawing a sharp distinction between the administration of foreign trade and internal trade. It is the final upshot of a long organisatorial process arising out of the fact that in the realm of trade the collectivised forms had expanded more and more to the detriment of private capital. In 1930, private capital accounted for only 10 per cent of the retail trade and for only 0·5 per cent of the wholesale trade. At the same time the volume of internal trade grew from 10 billion roubles in 1923–24 to 30 billion in 1929–30. Latterly, the Commissariat for Trade has been taking upon itself more and more functions in the domain of domestic trade. Closer connection has been set up between the trading organisations and agricultural production as a basis for the supply of the entire Union. Much has been done towards the attainment of this end by resorting to the system of "extension agreements" (Contractazia) whereby the State or its co-operative organs undertake to subsidise agricultural enterprise on condition that they receive a share of the harvest.

Planned distribution of goods gradually supplanted all price-regulating functions. It was this development that induced the Soviets to convert the Commissariat for Trade and for the Regulation of Trade into a Commissariat for Supply. But it now became plain that there was a big difference between the functions that had to be performed in the domain of internal trade and those in the domain of foreign trade. Consequently, two distinct organisations were formed.

The All-Union People's Commissariat for Supply has certain definite functions to perform. It has to organise the assemblage of agricultural products, to distribute these products to the food industry, which was placed under its control in June 1930, and to supply the population, particularly in the industrial districts, with articles of consumption. As we have said above, the agricultural and consumers' co-operatives are under the control of the Commissariat for Supply in all matters regarding the purchase and supply of food-stuffs and articles of personal use.

The purchase, storage and manufacture of the most important food-stuffs and the supply of the market with these products have been carried out since 1930 by unified organisations with branches in all parts of the Soviet Union, that is to say, by the "Union Associations" of the various sections of industry. Affiliated to these associations are the largest producers' organisations and their corresponding co-operative units. In this way there came into being the Union Association for Flour and Fodder (Soyuskhleb), for Meat (Soyusmaso), for Fish (Soyusryba), for Canned Food (Soyuskonserv), and so on. As regards the distribution of industrial goods, the Commissariat for Supply supervises the work of the consumers' co-operatives which are responsible for the handling of 70 per cent of the production of the manufacturing industry, whereas only 30 per cent reaches the population by way of State-controlled trade.

The foreign trade of the Soviet Union, being a State monopoly, is in the hands of the People's Commissariat for Foreign Trade (Narkomvneshtorg). The Commissariat supervises, regulates and controls the entire foreign trade and conducts all trading business on foreign markets through its own agencies. The foreign trade monopoly is regarded as an inseparable and inviolable part of the Soviet economic system. It is essentially determined by certain factors: all commercial transactions are supervised by the State—on the world market Soviet business is able to appear as a unified economic organisation; import and export occur only with the consent of the State.

This system of conducting all foreign trade operations by means of licences was inherited by the Bolshevist State from war-time Russia and extended, in December 1917, to cover all goods. A decree of April 23rd, 1918, prohibited private persons from trading with abroad, and in the year 1920 all foreign trade transactions were entrusted to a special body, the Commissariat for Foreign Trade. In its practical activity, this Commissariat has to draw up the foreign trade plan within the compass of the entire economic plan, and on the basis of this plan to determine the quantities of import and export, the amounts to be allocated to the individual republics, as well as to supervise all foreign trade transactions by means of a licence system. The licences for import and export form one of the most significant features of the foreign trade monopoly. They are granted by the Commissariat for Foreign Trade and set forth the conditions under which the sale or purchase of goods may take place.

The organisation of the foreign trade apparatus has undergone numerous changes in the course of time, from the rigid centralisation at first in vogue to a decentralisation giving more free play to the various economic forces. In its present shape it can be said to date from the year 1930. In that year, the import and export joint-stock companies were reorganised and converted

into Union Associations for Import and Export, and, as such, placed under the control of the Commissariat for Foreign Trade. These associations represent in each case a section of Soviet industry and function as a central body for their particular section. Consequently, each of these associations manages the entire import and export business of the thousands of industrial undertakings, factories, and trusts consolidated under the one heading. Formerly, several organisations could function in the Soviet Union as purchasers acting on behalf of a section of industry. For example, there were the powerful trading organisations of the individual republics, of the syndicates and the trusts, the so-called Gostorgs, which have now been liquidated. These Gostorgs had first to put themselves in touch with the Foreign Trade Commissariat, and only by this devious route could they make their purchases through the trade representatives of the Soviet State abroad. To-day the entire import business of the Soviet Union has devolved upon the Union Associations operating under the supervision of the Foreign Trade Commissariat: Metalimport, concentrating all purchases necessary for the metal industry, Khimimimport, Textilimport, Electroimport, Zvetmetimport (non-ferrous metals), Koshimport (leather and leather goods), etc. All orders for purchases abroad pass through their hands and they alone are permitted to set up connection between the Soviet consumers and the foreigner producers. Left up to now in the hands of the Centrosoyus as the central body of the consumers' co-operatives is merely the import of consumption goods. The export union associations are built up on similar lines, maintaining close connection with the producers within the Soviet Union and engaged in selling their products abroad: grain (Exportkhleb), butter (Masloexport), poultry (Ptizeexport), flax and hemp (Exportlon), timber (Exportles), leather (Koshexport) furs (Pushnosindikat), rubber (Resinotrest), herbs (Lektechsyre), coal (Soyusugol), ore (Rudoexport), oil (Soyusneft), etc.

On the world market the sole representative of Soviet foreign trading interests in those countries maintaining commercial relations with the Soviet Union is the official trade agency (Torgpredstvo). This concentrates at one point in the respective countries the entire business of the above-mentioned union associations and all orders for goods have to pass through its hands. Its import and export departments, like the Union associations in Moscow, each cover a special section of industry so that as far as possible each kind of goods is entrusted exclusively to one department. As a result of this method of organisation the Soviet foreign trade apparatus forms a complete and unified whole in contrast to the multifariousness of the private trading interests seeking to have dealings with the Soviet Union. These private firms, whether producers or consumers, find themselves at a great disadvantage when confronted with the powerful organisation of the Soviet trade agency. In some of those countries that have not yet concluded commercial treaties with the Soviet Union, business organisations have been formed for conducting trading operations on the same lines as the official trade agencies. The best known of these organisations are the Amtorg Trading Corporation in New York and the Southern Amtorg Corporation for conducting trade between the Soviet Union and South America.

A special form in which Soviet trade presents itself abroad is provided by its participation in fairs and exhibitions. It has been noted that the Soviet pavilion at the international exhibitions has been made more imposing and more comprehensive as the desire grows to sell abroad industrial products in addition to the usual agricultural products. These exhibits are organised by the Chamber of Commerce of the Soviet Union, an organisation with headquarters in Moscow, formed in 1930 as the outcome of the merging of the All-Union Western Chamber of Commerce and the Russo-Eastern Chamber of Commerce. In its organisa-

tion and in its activity the Chamber of Commerce of the Soviet Union has much in common with those of other countries. In it are united as members, for the purpose of promoting Soviet foreign trade, all the Soviet associations with trading relations with foreign countries. Apart from the general work of propaganda, the Chamber devotes the greatest part of its attention to the task of enlightening its members on economic conditions abroad and assisting foreign firms in doing business with the Soviet Union.

This general survey of the growth and present aspect of the Soviet economic organisation will suffice to show that the tendency towards a centralisation of economic control and, with the advance of integral communism, towards a decentralisation in the conduct of business, runs like a red thread throughout the entire organisation. In the early days of Bolshevik rule, in the period of militant communism, the rigid concentration came about as the result of the general decay of economic life and as a result of the application of the principle of centralised control advocated by Marxian economics. The New Economic Policy effected a modification of this principle following upon the creation of trusts and the partial allowance of private trading. But the centralistic tendency established itself again with the inauguration of the Five-Year Plan.

The question of personnel has greatly hampered the Soviets in their task of building up their economic organisations. Little confidence was reposed in the non-party "specialists," whilst, on the other hand, the Party functionaries lacked the training necessary for the conduct of business matters. The Soviets saw themselves unable to tolerate this state of affairs. Stalin stressed this point in his speech of June 23rd, 1931. "Many think," he said, "that only Party men should be allowed to occupy leading positions in the factories and workshops. Having adopted this attitude it not infrequently happens that they oust capable and enterprising non-party comrades by giving the best

jobs to Party men even if they are known to be less capable and enterprising. It is indisputable that nothing could be more stupid or more reactionary than such a policy." Consequently, the present policy is aimed at enlisting the help of the technical workers of the old school, the same class, that is, that a short time ago was subjected to persecution on the ground that it furnished the most persistent "wreckers."

The measures adopted by the Soviet State with the object of building up its economic organisation are thus greatly determined by the changing demands of economic life. It is not possible to recognise a line of constant development; there is much vacillation of policy attributable to the way in which this or that group of factors assumes the ascendancy. This general trend is made more comprehensible when it is remembered that the small circle of the real rulers of the Soviet State is not tied down to any traditional outlook and is not asked to account for its actions. It is therefore difficult to give a clear outline of the complicated growth of Soviet economic organisation, and the perpetual changes in structure and function bring an element of uncertainty into the working of the economic apparatus to the disadvantage of productive work.

It is impossible to avoid the impression that economic life in the Soviet State is still much too bureaucratic and over-complicated. Czarist Russia had a weakness for long-winded regulations and ordinances. The Bolsheviks have inherited this weakness. Year in year out the printing presses turn out mountains of verbose decrees, instructions—and the like, and these mountains grow at the same rate as that in which the organisatorial changes follow one another in Soviet economics. Added to this is the fact that every new measure has to conform to Party ideas and to be borne out whenever possible by citations from the works of Lenin.

Moscow strikes the foreign visitor as being a city composed entirely of office buildings: with the exception of the outlying districts, practically every house

contains offices of the State, the Party, the co-operative movement or the trade unions. And yet the various offices of these organisations are almost invariably located at considerable distances from each other. The Soviet State, from the earliest days of its existence, has carried on a struggle against this bureaucracy in its administrative apparatus, but up to the present it has met with no success. Even the *Izvestia* of April 4th, 1932, had to admit: " Our State apparatus is still too cumbersome and too expensive."

These organisatorial shortcomings cannot disguise the fact that Soviet economy, with its unified control, represents a firmly-knit organism when compared with capitalistic economy. The business relations set up by the Bolsheviks with the capitalist world are like a grotesque game of chess in which one party is composed of many players each of whom is concerned about the fate of a particular piece, while the other party is a single player who, though not always making the right moves, follows out a definite plan.

# III

# ECONOMIC NEWS REPORTING AND THE ECONOMIC PRESS

By Arthur W. Just
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It is common knowledge that the position in capitalist countries with regard to the publication of information about economic matters has two fundamentally distinct aspects. The law recognises a right to privacy in the conduct of business. On the other hand, it also establishes the right of the general public to be informed about economic happenings. Thus, while protecting the business secret, the law enforces publication of balance-sheets, compels traders to make customs declarations and can demand from private individuals such information as is required for the compilation of statistics.

Under the system of private capitalism, all state-controlled undertakings and public utility services, in short, all enterprises financed out of public funds, may be reported on freely and are open to comment and criticism. This naturally leads one to suppose that the Soviet Union, with its system of State capitalism, is in a position to guarantee its general public a greater measure of insight into economic happenings than occurs anywhere else in the world. Judged from the capitalist view-point, such an aim would seem easy of realisation in the Soviet Union. As matters stand, however, being a political dictatorship, the Soviet State considers itself to be under no obligation to make known facts regarding its economic activities. It sees

in the acquisition and communication of economic news, and in the mere gathering of such news for transmission, an offence for which the law provides heavy penalties. This applies even if the contents of despatches do not constitute a specially-guarded State secret. This is apparent from § 58/6 of the Soviet penal statutes. The paragraph in question gives a definition of espionage and then proceeds to establish what constitutes industrial espionage, including thereunder the betrayal of news whether to foreign States and counter-revolutionary bodies or to private persons. The definition allows of a very wide interpretation and the wording deliberately lacks precision. Thus, under this paragraph would come news items which "do not form a subject of discussion because they have been vetoed by law or barred by order of executive authorities, institutions and undertakings," regardless as to whether the question of remuneration has played a part in soliciting or gathering the information or in transmitting it.

The question of industrial espionage came up for discussion during the Russo-German trade negotiations of December 1928. On that occasion, the chairman of the Soviet delegation stated that "the suggestion so often repeated that the despatch of economic news from the Soviet Union is permissible only if it is confined to facts published in the newspapers and journals, is erroneous. In the Soviet Union, as elsewhere, the right to inform oneself about economic matters finds its sole restrictions in business and workshop secrets and in the employment of non-permissible means, such as bribery, theft, and fraud, for the acquisition of information. Provided they have not been made public, the official industrial plans are naturally regarded as coming under the heading of business and workshop secrets. Not so the various items of news with regard to conditions of production and the state of individual enterprises. Moreover, the Soviet Union sees no reason why it should obstruct or stifle criticism of its

economic organisation. It goes without saying, therefore, that everybody in the Union has the right to speak about economic questions or receive communications about them, unless there is reason to believe that the desired or imparted information is, by virtue of decrees enacted by executive bodies or by the State enterprise in question, not meant for outsiders. This basic principle holds good particularly in cases of statements made in respect to tendencies and the progress of production."

Although this statement carries with it no validity in the legal sense, it can be looked upon as an official attempt at interpretation of § 58/6. But even this goes to show that the bona fide inquirer is running the risk of punishment if he is not quick in sensing when and where it is forbidden to angle for news. In fact, the private gathering of news of an economic nature in the Soviet Union is not without its perils.

To be sure, the serious student of economic happenings in the Soviet Union has to rely mainly on the material supplied from official quarters. This material is printed in journals of every description. But there is one point which cannot be overlooked. And here, too, it is necessary to proceed cautiously. One has to make oneself thoroughly acquainted with the attitude of the Soviet press towards news in general, its theories with regard to news values and its manner of handling news. Otherwise it would not be possible to make any use of the proffered news copy for purposes not in strict keeping with the prime object of the publication. An attempt to give a technical definition of news has been made by W. Kusmitchev: [1]

> All talk about an "objective reporting that gives one a clear idea of what is going on" is one of the hypocrisies of liberalism (he writes). The task confronting newspaper-men is not to trade in news

[1] *Problems of Newspaper Science*, Moscow, 1930 (*Problemy Gasetovedenya*).

> despatches but to educate the working masses, to organise them under the sole leadership of the party. To this end, it is necessary to keep in mind a very definite aim. This cannot be achieved by giving objective reports on passing events. Liberty of the press, objectivity of the press, these are mere illusions. Newspaper work in all its branches is a means for the furtherance of the class struggle and not a mirror for the "objective" reflection of events. Our press is under the control of the most progressive political party in the world. This guarantees a genuinely objective, scientific evaluation of facts.

A different view-point is taken by W. Boguchevski, editor of the Moscow journal *Za Industrialisaziyu* (Toward Industrialisation). Writing in a publication devoted to the theoretical side of newspaper work, he demanded of a newspaper that "in the first place it should undertake to inform," but his critics, better versed in the creeds of the Communist Party, immediately pointed out that he had blundered to the extent of putting forward a demand made by Trotzki. *Pravdist*, the organ of the Communist Institute of Journalism, devotes itself entirely to subjects connected with newspaper production and news handling and plays an authoritative part in the evolution of the Soviet newspaper press. In a recent number it wrote: "At bottom, we make distinctions in our attitude towards facts that we see printed in the newspapers. In questions affecting social relationships there can be no talk of a dispassionate, objective attitude." It then proceeded to cite Lenin's opinion to the effect that "Materialism takes partisanship entirely within its folds, so to speak, and imposes the obligation, in judging the importance of any event, immediately and openly to adopt a certain group view-point," and that "when we report a fact which springs directly from the class struggle, when we report examples of the building up of a new world, we have to buttress our attitude towards these facts with the Bolshevik

outlook." This definition is in line with Lenin's idea of the press as agitator, propagandist and organiser of the masses. Orthodox Stalinism of to-day denies the press any other capacity and significance, and this theory, accepted as the basis and veneer of all criticism, condemns any other tendency that dares to show its head. In the last analysis, therefore, no Bolshevik news whatever can be regarded as possessing objective value; it will always bear the stamp of live propaganda and, at its mildest, is designed as a factor in the work of organising the masses. Consequently, the facts screened off by the style of news presentment are to be adduced only by methods of analysis and inference.

There is a third point that needs to be taken into consideration before one can really understand the Soviet press. Stalin has said that the press is the best weapon in the hands of the Communist Party. Within the Soviet frontiers, the party is the sole political factor, which means, of course, that it has unlimited control over the economic life of the State. It is the sole factor in Soviet State capitalism. Every form of intellectual activity beyond the bounds marked out by the party is vetoed, as is every expression of opinion not in keeping with Bolshevik ideas. It is useless, therefore, to expect either printed or oral criticism of economic events. This is not contradicted by the fact that, among the available news copy dealing with industrial happenings, one comes across plenty of "negative" reports, accounts and news items. It is proudly asserted by the Communists that nowhere else in the world is criticism of public events, particularly the daily round of economic production, practised to an extent at all comparable with the "self-criticism" of the Soviet public. But even this self-criticism is content to be just a method of stirring up interest and organising the masses into action. The entire press has not the slightest compunction in the matter of news suppression or the censorship of important

information. When, for instance, on February 1st, 1932, the prices of all food-stuffs and lodgings were raised an average of 60 per cent in a scale varying from 25 per cent to 200 per cent, not the slightest mention was made of it in the press, although it was obviously recognised as a measure of supreme political and economic importance, and, moreover, one that very materially affected the well-being of the masses. The step was taken by the competent authorities by order of the Government. Such cases are of daily occurrence. The State, as the active authority with full executive powers in all branches of economic life, is under no obligation to make public any of its measures or to explain or justify its actions. And nobody is in a position to call the State to account.

The real reason that induces the Soviet Union to back its economic activities with a press organisation of a peculiarly extensive and varied nature is to be sought, not so much in the basic principles of State-planned economy, which are by no means categorically applied to all economic happenings, but rather in its system of centralised administration, an administration that has to include the far-flung territory of the Soviet Union. Now it is difficult to imagine a centralised administration of this sort getting along without the aid of a reliable news-gathering apparatus. Indeed, any imperfection in this direction would in itself lead to the adoption of wrong measures in the pursuit of economic objectives. As it is, blunders of this kind have been plentiful enough in the Soviet Union. Although, as already indicated, there can be no clearly-marked dividing line between that part of this apparatus which feeds the public with news and the part handling secret information, it is nevertheless patent that a considerable part of the latter kind of information thus collected is bound to reach the general public. The Soviet State largely counts upon the "creative forces inherent in the masses" in calculating possibilities and effects. But the masses want to be informed

as to how things stand. It is generally known that the Soviet Government lost little time in directing its efforts towards the building up of socialistic economics and that these efforts had assumed definite shape at least as early as the year 1928, when the Five-Year Plan was inaugurated. Thus it has come about that economic news reporting is now a very prominent and important feature of all Soviet newspapers, even playing a great part in shaping social relationships. Practically every newspaper is a sort of trade journal and every public speech an harangue on economic matters.

If one glances down the columns of any of the principal newspapers, it seems, at first sight, comparing it with the leading journals of other countries, as if the main difference consisted in the apparent absence of a business section. The *Izvestia* of the Central Executive Committee, the Government organ, has, with a sublime touch of the conservative spirit, continued year in and year out to devote a little corner of its space to stock exchange news. It gives the foreign exchange quotations, quotations fixed in accordance with some capricious standard, showing at times amusing little variations of a few points to the detriment of whatever foreign currency happens to be out of favour politically. Furthermore, it publishes a short list of formally negotiable State loans, although the stock exchange went out of existence in the Soviet Union years ago. The *Pravda*, chief mouthpiece of the Communist Party, has no pronounced economic news section. In line with the way in which the entire Soviet press is organised to cover distinct regions and fields of activity, is the existence of numerous special economic news journals. These journals, though run on independent lines, are designed to supplement those press organs which carry political and general news, that is, if one retains the habit of associating "press," even in the Soviet Union, with a certain universality of content. These journals are the

official publications of the centralised economic executive bodies, but they are popular in character and thereby differ from publications used solely for publishing official announcements. Outstanding in this class of newspaper are *Za Industrialisaziyu*, organ of the entire State-controlled industry, and *Ekonomicheskaya Zhizn* (Economic Life), run jointly by the State Planning Bureau and the Finance Commissariat.

*Ekonomicheskaya Zhizn* was, until 1929, the official organ of the State Planning Bureau (Gosplan) and the Council for Labour and Defence. It contained very instructive, detailed monthly reports on the prevailing state of national productivity, based on careful research work and giving both the absolute and relative figures. Coincident with this, the Central Statistical Bureau published a price index for the entire Union, as well as a number of special indices. Along parallel lines were the figures on industrial production appearing monthly in *Torgovo Promyshlenaya Gazeta* (Trade and Industrial Journal), the immediate forerunner of the above-mentioned *Za Industrialisaziyu*. The change of title occurred on January 1st, 1930.

A third source of information on Russian economic affairs was the regular monthly publications of the State Bank (Bulletin of the State Bank, in three languages). These, too, gave the latest production figures. Yet although the index basis and the sources of direct information were changed on several occasions, it was found impossible to get the various reports on the progress of productivity to agree. The upshot of this was that a new Stalinist method of investigating the state of productivity was evolved. The new theory took cognisance of new monetary theories and new theories of market research, whereby everything that held good in the past now became suspect of Trotzkism or was regarded as tainted with the ideas of the Right opposition. Finally, when the Soviet leaders were at a complete loss to know how the reality, shown up in all its darkest features by figures that could not be

gainsaid, was to be made to accord with the roseate picture of steady achievement demanded by propaganda, it was decided to proceed in a more radical fashion. The Central Statistical Bureau was affiliated to the State Planning Bureau, now completely reorganised under the direction of Lenin's close associate, Krzhizhanovsky. Of a sudden, the disquieting reports on the state of productivity were discontinued. Even the compilation of the economic index figures by the State Bank underwent repeated alterations, shrinking by the end of 1931 to virtual insignificance.

The truth is that since the beginning of the year 1930 the Soviet Union has done all in its power to withdraw from impartial investigation the facts with regard to the shaping of its economic life. There is no official calculation of a price index, no current reports on industry and agriculture, no foreign trade figures. The tariff figures, published in the bulletin of the Commissariat for Foreign Trade, are held up for six months or more before they are made public and it is difficult to say whether their tardy appearance is the result of a shortage of paper or attributable to some high purpose. The only economic figures now being published at regular intervals are the balance-sheets of the State Bank. But here, too, publication occurs without comment of any kind. Take one example. On December 15th, 1930, the gold holdings were given as 480 million roubles. On December 1st, 1931, they had jumped to 612 million roubles. Now it is a known fact that the annual Russian gold production amounts to about 35 million roubles and that in the course of the year 1931 gold to the value of upwards of 100 million roubles was sold to Germany alone. Nothing is known of considerable Russian purchases of gold abroad. Nevertheless, public opinion in the Soviet Union is not moved to inquire about the origin of this very considerable increase in the gold holdings, and the official news bulletins maintain silence on this point.

The economic news service strives its hardest to answer the question as to how the control figures are to be fulfilled. The plan laid down at the beginning of each year, sanctioned by the political party chiefs and the Government and raised to the dignity of law, forms the starting-point for every kind of reportorial work. Primarily, these control figures constitute the programme of production, and, although the viewpoint adopted in official quarters is that the question of the quality of the goods produced is of tantamount importance, those engaged in carrying out the plan are all too apt to allow themselves to be misled by more or less meaningless, ill-thought-out production figures.

Latterly, the central press has been publishing, either daily or once every five or six days, a rubric under the title "Latest Reports from the Industrialisation Front." Brought together under this heading are figures of the daily coal production in the various mining areas, statistics with regard to iron and steel output, agricultural machines, artificial fertilisers, automobiles, locomotives, paper and oil. These reports do not aspire to be a complete survey of production, but cover special branches of the industry. For instance, the figures with regard to agricultural machinery only refer to the output from the factories in Rostov, Odessa, Nikolaiev and Sinoviev. On another day would appear the number of tractors turned out in the works at Stalingrad, Leningrad and Kharkov. The value of this material lies in the fact that it serves as a spur to "socialist competition." It is designed to get the broad masses to take a lively interest in the output of each individual factory, while the factory itself, it is further argued, feeling the gaze of the public thus riveted upon it, will put forth its best efforts. This method of increasing efficiency by letting the public know how the key industries are faring, would fail in its ultimate purpose if the reports kept on appearing with ordered regularity. Consequently, they are made to serve as data for the conduct

of a campaign. One of the effects of this kind of reporting is to give additional emphasis to every sudden readjustment of plans that has to be made in the ardent pursuit of economic objectives.

As long as transportation is regarded as a "tight place," the newspapers publish the number of freight cars loaded daily. In February and March, the number of hectares of ploughed land is given high news value, as is, in April and June, the total amount of newly-planted area. Later on, it is the state of the crops and the yield that get on to the front page. Between whiles, there is the news of the total catch of fish or the quantity of farm stock or some other "action on the front of socialistic achievement." As soon as the general interest shows signs of waning, economic reporting is again confined to its allotted space in the various journals, there to await the moment when it will be called into action again. It is in this way that the Soviet authorities have solved the problem of handling current economic news in the daily press. In practice, it has been made possible by the so-called brigade work of the editorial staffs. Groups of three to five journalists, sometimes more, under the leadership of a "brigadier," are assigned to focal points, in the factories or bureaus of administrative departments, with the object of collecting news of decisive value for the campaign that is about to be inaugurated. They do not confine themselves to figures alone, which in any case could be furnished immediately by the various bureaus; they undertake to give a thoroughgoing account of the economic situation, mentioning the blunders and successes in the various fields of activity and investigating the extent of the collaboration between the different branches of industry. Their accounts have to be written in a snappy style and reveal acquaintance with the branch of industry taken under observation. This work of the brigades is helped out by the "copy" sent in by volunteer contributors, the so-called "Worker and Peasant Correspondents."

These send in detailed reports about whatever is going on around them. It is a mosaic of little pieces of information, jumbled together without system, bright and dark little pieces giving in their totality an interesting and eloquent picture of economic conditions. Then there are the contributions of well-known authors, showing that even literature is enlisted in the service of economic news reporting. Names of international repute, like Gladkov, Lidin, Ryklin, Kolzov, appear at the foot of articles dealing with the day's happenings, labour conditions, blunders and achievements of individual factories or entire branches of industry.

The truth of the matter is, however, that all these authors, though bringing to their task good intentions and the Stalin outlook, for the most part lack knowledge of economics and technical matters, and so confine themselves to a superficial treatment and interpretation of facts of no particularly decisive value in the sense of the three above-mentioned duties which, according to Lenin, it is the duty of the press to discharge.

It should not be overlooked that this economic news-reporting front, considered in its entire extension, has its positive aspects. But these aspects are political and literary rather than economic. Economic news does reach the reader, but in the undigested form of titbits. Even the highly-lauded self-criticism is put across in this way and is therefore robbed of a great deal of its value as data for the serious student of economics. Most observers of Russian conditions are acquainted with the method adopted by publications hostile to the Soviet Union : the Soviet press is combed for adverse comments and figures, which are then minted into the desired coin and made to point to some facile conclusion, generally stressed with the remark that if this is what the Bolsheviks themselves admit, how bad the situation would appear if the whole truth were to be made known. It is quite patent that in trying to get at the truth such methods

are as futile as the practice of sky-rocketing the actual achievements. The only difference is one of approach. Of course, the trained observer pays due regard to all these little pieces of economic news appearing in the Soviet press, but they are of little value to him unless supplemented by the critical reports of experts. Herein lies the tremendous difficulty of gaining an objective survey of Soviet economics. Herein, too, lies the reason for the absolute contradiction in the statements made by persons who have visited Russia.

It stands to reason that in order to facilitate the political and economic conduct of the affairs of State, the facts with regard to the economic situation have to be made available, not only as data for surveys but also for the purpose of determining the main lines of the economic policy. Every speech made in the Soviet Union by one of the prominent political leaders is more or less a dissertation on economics. There is now quite a traditional prescription that is invariably used for framing these declarations. The formula is more or less as follows: begin by presenting a picture of the gloom beyond the frontiers where capitalism is showing daily portents of disintegration and advancing corruption, and then, against this dismal background, proceed to make the bright spots of Soviet achievements stand forth all the more effectively. Seeing that these are as a rule purely political speeches, one cannot blame the speakers for selecting and interpreting their facts in a way best suited to their purpose. As a case in point, at the beginning of the year 1932 the most rosy accounts of the industrial progress achieved in 1931 were broadcast on several occasions by various speakers. We were told about big increases in the production of machinery, electric power, oil, footwear and canned food-stuffs. Yet not one of the speakers gave any tangible figures as regards agriculture. Of course, plenty of reference was made to agriculture and there was much exulting in the increase in the total acreage of newly-planted area and in the number of

tractor stations. But not a word was said about the harvest yield, simply because these figures would hardly have fitted in well with the other picture. Only at a later date, and then through indirect channels, did it become known that the yield was only 60 per cent of what had been planned and that in the eastern parts of the Union there was a " hitch in the food supply," or, in plainer language, a partial state of famine. Having now concluded the optimistic part of his official speech, the Soviet speaker passes on to the topic of self-criticism, declaring something to this effect : " Although we have achieved such grandiose, unheard-of, tremendous, gigantic successes in the domain of socialist construction, let us turn our attention now to a few shortcomings." There follows, as a rule, the announcement of figures less likely to give satisfaction, generally with reference to the quality of the goods produced, but in this matter the extreme difficulty of supplying anything in the nature of exact figures baffles any attempt at forming an opinion. Economic pronouncements of this sort, though given the fullest publicity in the press and subsequently issued as pamphlets to be distributed to millions of readers, are actually passed over without comment or criticism and are of just as little use to the student of Soviet economics as most of the other published material. Only those acquainted with the Soviet methods of propaganda, only those prepared to bear these methods constantly in mind, can sift out the rock-bottom facts and truths from the incoherent mass of figures compiled, for the most part, in secret.

In the year 1930, official figures were still being published giving the total grain yield. In 1931, only percentages of the planned crop were made known, the planned figures being kept a secret. Following the abolition of an official price index, a lot of extravagant nonsense is heard about the amount of capital sunk in this or that enterprise. The price level has undergone repeated alterations, without any apparent

reason; yet one goes on gleefully comparing the rouble sums of 1928 with those of 1930 and 1932, and even with the pre-war figures. That one cannot measure economic results by the impressiveness of the capital sums invested is a maxim that holds good even in the U.S.S.R. Added to all this are the justifiable misgivings one is bound to feel as to the authenticity of the figures supplied by the central authorities. Cases repeatedly occur in which responsible leaders of business or industrial undertakings are taken to task, punished and even expelled from the party, for having sent in too optimistic accounts of their achievements. It is typical of prevailing conditions that during the spring of 1932 a general inventory was made, for the first time, of all existing industrial plant and technical equipment in the Soviet Union. Some indication as to how the plan and control figures are arrived at was given during the various so-called sabotage trials. Those who took the trouble to spend day after day, and half the night, in the badly ventilated rooms of the Moscow Trade Union Building listening to the details of these political trials, took away with them a devastating picture of official economic news reporting.

Beside the centralised, super-dimensional methods of business conduct, there is the constant control of enterprises, workshops and institutions by special commissions sent out by the central bodies. The publications of these special control authorities, like the Workman-Peasant Inspection, in personal collaboration through the People's Commissaries with the Chief Control Committee of the Party, or the so-called "Fulfilment Commissions" working in close touch with the Government, occasionally publish interesting and important economic news items. Every now and then, however, a decree has to be enacted brusquely directing that individual enterprises are to be subjected to control only in special instances and when adequate reasons for such action have been duly furnished. This is because it has become quite a common thing for

business and other executives to be visited daily, not only by one control commission, but by half a dozen. The system, with its pyramidal structure, its centralized bureaucracy and revolutionary improvisations, has become top-heavy.

It is hard to say whether the secret economic news service of the Soviet Government is really able to meet the demands of a State-planned economy, if the latter is to function properly. Of relatively minor importance is the problem as to how the work of gathering the news is organised, whether along party lines or through the Soviets. Actually, it is carried on in both directions. The results are probably mutually corrective to a certain degree. All the same, it seems as if the Soviet Government has to get along at present without the aid of an organisation capable of supplying a continuous and prompt service of reliable information about economic progress and that its economic policy is based more on general market tendencies regarded in the light of political emotions than on actual facts.

It is clear that the principle of objectivity is discarded just when it comes to handling economic news from abroad. Economic happenings in the capitalistic world are mostly treated in the Soviet press with overweening pedantry. The tenor of every analysis of economic conditions abroad is predetermined by the official attitude towards tendencies making their influence felt in the capitalistic world, that is, by the point of view adopted by the Communist Party. These tendencies were duly registered and explained at the 16th Party Congress in the summer of 1930. On that occasion, Bukharin's Right oppositional theory with reference to the recuperation of capitalism was condemned lock, stock and barrel. Since then, every investigation has to lead up to the conclusion that all signs point to a progressive decay of capitalism, a further dwindling of world trade and a greater danger of war for the U.S.S.R. In the sheer monotony of this

refrain there is even a touch of sublimity. But in the end, it is such a stupid, one-sided method of reporting that it cannot fail at times to mislead in matters of decisive importance, with disastrous results. There is every reason to believe, for instance, that the Government bodies entrusted with the task of formulating the foreign trade plans were so misinformed about economic conditions abroad that they were completely taken by surprise when the sudden shrinkage of values occurred in 1931 and when, later on, Russia's foreign trade slumped badly. Right down to the spring of 1931 the Soviet press and official quarters were still quite convinced that the U.S.S.R. would be relatively untouched by the world trade depression. The disquieting way in which the passive side of the foreign trade balance mounted up from month to month finally served to bring the truth home to them. And then with all haste the import plans had to be readjusted—in other words, to be curtailed.

Relatively good is the information service with reference to special markets—for instance, the international grain market where the Russians have been operating with success for years. On the other hand, nothing could be more incongruous than the way in which economic news from abroad is made to serve agitatorial purposes. A classical example of this is the speech delivered by Premier Molotov at the opening of the Third Session of the Central Executive Committee in December 1931, where, in a review of the world crisis, he endeavoured to show that the disintegration of capitalism could best be instanced by conditions in Germany and Brazil. He made use of data which originated in part from the market research reports of the *Berliner Institut für Konjunkturforschung*, in part from economic news reports that had appeared in the *Izvestia*, the Government organ. In the course of one of his arguments, he illustrated a point by taking the wages of a piece-time worker in Germany. Converted with some boldness into terms of the Moscow

rouble with its artificial exchange rate, these wages became only a little over two marks. Thus, the Premier of the U.S.S.R., engaged in making an important pronouncement with reference to the control figures of 1931 and 1932, was not in the least embarrassed by the thought that perhaps the purchasing power of a monetary unit bolstered up by an artificial rate of exchange would not be the same abroad as in Moscow, although it could not, of course, have escaped his attention that even the Moscow State-controlled hotels valued the dollar five to six times higher than the quotation appearing in the official organ.

Notwithstanding all the difficulties of economic news reporting in the Soviet Union and the restrictions imposed upon it by political notions, the economic press in all its ramifications is well worth the serious study of the student of affairs, provided he sets about the task in the right way.

Coming now to the daily newspapers, one of the most important is the organ of the People's Commissariat for Heavy Industry, *Za Industrialisaziyu*. Here, too, more space is given to the short news story than to the diligent brigade work of the editorial staff. An effort is made to keep the reader constantly informed about the state of the major industries and to give, at regular intervals, reports covering the other spheres of industrial and business activity. These reports are written in a detached sort of way. Although this newspaper has a circulation of 600,000 copies, it is not popular in its appeal, seeing that it is primarily the organ of the high-skilled workers and organisers, the so-called industrial officers. Formerly, when it used to appear under the title *Torgovo-Promyshlenaya-Gazeta*, it had only a tenth of its present circulation, but its general standard was much higher. The paper read by the less responsible part of the industrial population bears the title *Trud* (Toil). It is the organ of the Central Council of the Trade Unions, whose special duty lies in furthering the organisation of labour and in raising the efficiency

of the individual worker. Considerable space is devoted to questions of collective agreements (regulation of wages and working conditions), though it is interesting to note that even this paper adheres far more to the point of view of the State as employer than to that of the workers. In the world of transportation, which is one of the sorriest aspects of Soviet economics and will certainly continue to be so for many years to come, the most important publication is *Gudok*, a daily newspaper, organ of the Railroad Commissariat and the Railroad Trade Unions. The Commissariat for Agriculture controls the daily *Sotsialisticheskoe Zemledjelye* (Socialistic Agriculture); it circulates among the higher officials on the State farms and at the centres of the agricultural collectives, and is also read by live-stock breeders and agronomists. Most of its contents consist of technical articles on agricultural subjects, but it also prints informative articles on the practical side of farming.

The State Planning Bureau and the Commissariat for Finance have in *Ekonomicheskaya Zhizn* their own press organ. It first appeared in 1918 and for several years it was the best paper for reliable economic news. When the first Five-Year Plan was set up, all questions of political economy were naturally withdrawn from public discussion. The Gosplan has very little information for public consumption nowadays and has become a quiescent authority with a bureaucratic turn of mind. The financial policy is confined for the most part to the organisation and control of the functions of the State Bank. Questions of taxation have become almost completely a matter dealt with by the departments themselves, and the only thing that seems to arouse any interest at all is the position with reference to loans and savings-bank deposits. The *Ekonomicheskaya Zhizn* is valuable mainly because of the insight it gives into the practical conduct of the State Bank.

*Znabshenije, Kooperaziya, Torgovlya* (Supply, Co-

operation, Trade) is the title of the newspaper brought out by the People's Commissariat for Supply, the Central Federation of Co-operatives (Centrosoyus) and the trade unions belonging to these industries. The Foodstuffs Industry is also under the control of this commissariat and publishes its figures in this organ. These figures serve to reveal a remarkable change that has taken place in this sphere of economic life. Formerly, the tendency was to carry out an administrative apportionment of goods instead of commercialised distribution, but latterly Lenin's old slogan "Learn how to transact business" is again to the fore. It is designed, in the main, to assist in the betterment of the State-controlled and co-operative trade organisations. These new tendencies are particularly interesting. They find expression in this newspaper, which first appeared in 1931.

Not all the important Soviet economic journals are published in Moscow. There is, for instance, the *Za-Sotsialistichnu Perebudovu*, the economic organ of the Ukrainian Soviet Government in Kharkov. The fact that the Ukraine is the region of the most intensive industrial activity in the entire Union gives this publication special significance. But this practically completes the list of interesting economic journals now appearing in the U.S.S.R.

In recent years there has been a great increase in the list of periodical publications, as is shown by the fairly exhaustive catalogue published in English and German by Meshduna Rodnaya Kniga, a Russian firm of booksellers. Only the most important can be mentioned here.

Statistical data are published in the Bulletin for Transport Statistics (*Ezemesjachnyi Byulleten Transportnoi Statistiki*) and the monthly bulletin of the statistical department of the Supreme Economic Council (*Ezemesjachnyi Statistisheski Byulleten*), which give in the form of tables and charts the daily achievements figures for transportation and industry reproduced in

the daily press. The periodical *Sovietskoe Stroitelstvo* (Soviet Construction) is really an organ for the technique of administration, but by virtue of the close connection existing in the Union between administration and the management of the economic life, it sometimes publishes articles of great interest to the economist. Agricultural problems are covered by more than three dozen different periodicals. Outstanding among these are: *Agrarnye Problemy* (Agrarian Problems), a periodical dealing with international aspects of the agrarian problems and with the peasant movement, *Sotsialisticheskoe Rekonstrukzije Selskovo Chosjaistva* (Socialistic Reconstruction of Agriculture), a scientific publication of the Commissariat for Agriculture, and *Za Selsko Khozyaistvenye Kadry* (For Expert Farm Management). A monthly publication of the timber trade and forest industry, *Lyesnoe Khozyaistvo i Lyesnaya Promyshlenost*, is published in Leningrad. Of the large number of industrial and technical publications, mention should be made of *Stal* (Steel), published in Kharkov, *Vyestkik Inzhenerov i Technikov* (the Engineers' and Technicians' Messenger), which can be compared with the organs of the national engineer associations in other countries, and *Predprijatye* (Enterprise), the organ of the economic and technical bodies. Attention should also be drawn to the excellent publication *Gorny Zhurnal* (the Mining Journal), which existed before the war, and also to the periodicals *Ugol* (Coal), *Nefi* (Oil), and *Zvetneye Mettlly* (Light Metals).

Information with reference to the legal aspects of economic affairs may best be had by consulting the *Byulleten Finanzovovo i Khosaistvenovo Sakonodateljstva*; while for information on general trade questions, especially questions of foreign trade, the best authority is the monthly published by the Chamber of Commerce of the Soviet Union, *Ezhemesjatchnik Vsessojusnoi Torgovoi Dalaty*, which is also issued in an English edition. The Commissariat for

Foreign Trade produces two periodicals: *Vneschnaja Torgovlya* (Foreign Trade), devoted to the official foreign trade policy and publishing information about the state of the foreign markets, and also a statistical survey of the Chief Customs' Department. The Commissariat for Finance has its *Finansy i Narodnoe Khozyaistvo* (Finance and National Economy) and a special organ for making public its enactments, the *Izvestia Narkomfina S.S.S.R.* The State Planning Bureau has its own periodical, *Planovoe Khozyaistvo* (Planned Economy), and the People's Commissary for Labour publishes, as its official organ, the *Izvestia Narkomtruda S.S.S.R.* Of the scientific publications dealing with economic and financial problems, mention should be made of *Finanzovye Problemy*, *Na planovom Frontye*, which concerns itself with planned economy, *Problemy Ekonomiki*, handling economic problems from the Marxian point of view, and *Gipromes*, journal of the State Institute for Planning in the Metal Industry, the latter appearing in Leningrad. Devoted to matters of general political interest, and particularly to matters concerning the welfare of the Communist Party, are many periodicals, some of which are excellent both in contents and make-up. If emphasis is placed on the need to get one's information from all available sources, then the numerous provincial publications, giving facts about the progress of planned economy in the various regions, become indispensable.

The official news service of the Soviet Union, *Tass*, used to run a special economic news service produced by one of its departments, known as the "K.T.A." (*Kommertcheskoe Telegrafnoe Agentsvo*). This service is still in existence as a prompt means of supplying the authorities and executive bodies with facts and figures when it is a question of carrying out an industrial drive, but the press itself makes no use of it. It has been split up into a number of special sections.

In all other countries the advertisement section of the newspapers and periodicals is always a source of

information about economic conditions. Advertising in the U.S.S.R. is just passing through its first stage of development. Detection of an existing demand is limited to the small advertisement columns. A decree, whose importance as providing a source of information on economic matters it is too early yet to estimate, enforces the publication of the names of those enterprises which have become insolvent and whose credit account with the State Bank has been foreclosed. If absolutely reliable, such a bankruptcy list would help to throw light on many aspects of Soviet economics.

Taking into consideration the many possibilities for gathering information inherent in the Soviet system of handling news, it is certainly quite possible for a critical observer to get an idea of the state of Soviet economics that will approximate very closely to the truth. But there will always be the likelihood that the composite picture thus formed may be out of keeping with reality in some of its essential details. A much simpler and more reliable method is that of personal investigation, provided the observer in question is sufficiently qualified to pronounce judgment on things actually seen and to discriminate between what is merely superficial and in a state of flux and matters of permanent value. It is especially important to check the material obtained either directly or indirectly from the Soviet Union with the information obtainable from private sources beyond the frontiers. In the first place, there are the foreign trade statistics of those countries which enjoy trading relations with the U.S.S.R. Furthermore, very often some revealing light can be thrown on Soviet economics by a study of the orders given to foreign firms, the quantity and nature of the goods offered for export and the financial operations carried out on stock exchanges in the various countries on behalf of the Soviet Union. Here, too, it is a question of separate news items which it is by no means easy to co-ordinate and interpret.

Summing up, it can be said that from the point of view of news gathering the conduct of economic affairs in the Soviet Union has ceased to be a closed book. The actual position can be envisaged in its broad outlines, and any failure of expert opinion to agree in its predictions is attributable solely to differences in political outlook.

# IV

# CAPTAINS OF SOVIET INDUSTRY

By Professor Dr. Heinrich Pöppelmann

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Judgment of men and matters in the Soviet Union is so liable to be influenced by purely personal reactions that it is difficult to say just how far it is possible to measure the calibre of the Soviet leaders by generally accepted standards. Close contact with some of these leaders during my four years of active collaboration with the Soviets is no guarantee of objectivity on my part when it is a question of presenting their portraits, and a near view of their "grandiose attempt to Americanise a backward nation" has not helped to free my mind of certain dislikes and prejudices.

I should like to say at the outset that my observations were limited to that small circle of industrial leaders now known to have played a decisive rôle in determining current trends in Soviet industrial development. At the time of my stay in Moscow, from January 1928 to December 1931, these men were for the most part occupying high posts in the various people's commissariats. My own work was in connection with the organisation of the agricultural machinery and tractor construction industry. The Soviets had come to regard this industry as the key position, so to speak, for the advance towards the Machine Age "now dawning over the distant horizon." Vast expanses of agricultural land were to be prepared for the advent of this Machine Age. Under the leadership of these captains of Soviet industry the mechanisa-

tion of agriculture had made enormous strides, and by the year 1931 the Soviets could claim to have 120 million hectares of land under mechanised cultivation, the value of the production of agricultural machinery in the same year reaching a billion paper roubles.

The men whom I shall describe are the big brains behind the broad and imposing façade of Soviet industrial construction. A few of them belonged to the circle of Stalin's intimate collaborators. Some of the names of the members of this clique are now well known, for example, Grigory Ordzhonikidze, People's Commissary for Industry, and Yakov Yakolev, People's Commissary for Agriculture, and their energetic protagonists, Kaganovich, Akulov and Rosengoltz. Furthermore, I shall have occasion to give my impressions of Molotov, President of the Council of People's Commissaries, of Bogdanov and Glebov-Avilov, as well as of the Red directors and technical leaders of the trusts and factories. Several of the latter whom I shall describe took a prominent part in the Ramsin trial and other " wrecker " trials.

Let me prefix my remarks by making two admissions. The first has a purely personal nature, but it may contribute to a better understanding of what follows. From the first to the last day of my activities in the Soviet Union my treatment at the hands of the Government bodies was altogether above reproach. Everyone was exceedingly kind to me and I was shown many courtesies. On no occasion did I have reason to complain, despite the fact that I made no secret of my capitalistic outlook in economic matters. The difficulties I had to overcome at times were considerable, and though I was unacquainted with the Russian language I was given full responsibility for the proper working of a big factory equipped with new plant and run on lines entirely foreign to the Russian workers. Whenever I was hindered in the execution of my task by the obstinacy of subordinates or by envious Russian engineers, it needed only a word put through to high

quarters and immediate action was taken to see that the matter was put right to my entire satisfaction.

My other admission is my discovery of the fact that even in the Soviet Union pigs have no flying ambitions and that the Bolsheviks are only human beings after all. Gone are the days when the Bolshevik could be dismissed as a fanatic imbued with ascetic ideals. In his struggle with a stern reality he has himself become a hard-headed realist, less disinclined to rub shoulders with other members of the human race. Yet the leaders do not lead an enviable sort of life and it would be quite wrong to suppose that the commissaries in the Kreml and the directors of trusts and factories are able to enjoy greater conveniences of living. Up to now Old Mother Hubbard has presided over kitchen ceremonies throughout the land. Most foreign specialists in Russia know that feeling of depression that comes over one in passing queues of long-suffering Russians lined up on the Tverskaya in Moscow. Equipped with his special food ration book, the foreigner can make his purchases at the foreigners' stores, but it hurts him to think that many of his purchases which he has become accustomed to regard as life's bare necessities are things far beyond the reach of the ordinary Soviet citizen.

A day in the life of the industrial leaders is an exciting affair even under normal conditions. They, too, know what it means to have to go without. It is commonly said in Moscow that there is hardly a commissary whose health has not been undermined as the result of overwork coupled with privation. This, in my opinion, can be put down largely to the creeping paralysis of bureaucracy, to the endless succession of conferences with their futile confabulations and to the mania of the Russians for indulging in discussions on theory.

On my journey from Berlin to Moscow in January 1928 I was accompanied by Dr. Alexander Svanidze, Stalin's brother-in-law, then financial attaché at the

Russian Embassy in Berlin, and generally known for the part he played in drawing up the agreements with American and German concerns with regard to the manganese ore deposits in the Caucasus. Acting on behalf of Ordzhonikidze, he had engaged me as an expert consultant for agricultural machine construction. On the journey to Moscow we got to talking about economic problems, and among other things we discussed the principal differences between capitalistic and Bolshevist forms of economy. I illustrated my argument by reference to natural history and cited the discoveries made by the late Professor von Ihering after many years spent in the Brazilian forests studying the habits of white ants and bees. It is von Ihering's contention that sex is the prime factor in determining the form of society. He found that where communism prevails in the insect world the State is composed to 95 per cent and more of sexless citizens who have no family cares and no desire to hoard with a view to self-enrichment, their sole nterest being directed towards preservation of the tock, that is to say, they are the obedient subjects of he Queen and the guardians of the few males. In uman society, however, the dominance of the sex istinct in its individualistic form is bound to find its xpression in family life, and consequently anxiety for he welfare of the family is something far more elementary than solicitude for the welfare of the community. uman society is therefore built up on the principle the survival of the fittest, so that even if a communistic state were to be formed it would not be long fore the stronger individuals crystallised out from e communistic mass.

Svanidze, a highly-educated man of engaging nners, made light of my misgivings and declared t I could hardly have read the writings of Lenin, erwise I would know how to deal with the arguments of the German naturalist. Well, after four rs spent in Russia and a close study of the nature

and aims of communism, I am not yet convinced that von Ihering is not a better authority.

Shortly after my arrival in Moscow I was called to commissarial headquarters to be introduced to Ordzhonikidze. The difficulty I experienced in getting into his presence reminded me of the male ants in insect communism. In the outer room guarding the approach was his secretary, dressed in a brown uniform, and the "business manager" of the commissariat, both besieged by a crowd of persons of both sexes. They were all speaking at one and the same time, they were all wearing peaked caps and all smoking cheap cigarettes. I had to wait about half an hour and be subjected in the meantime to curious glances, since in the year 1928 there were only a few foreign technical experts in Russia. To be privileged to wear caps at all times and in all places seems to be one of the most notable achievements of the revolution.

I recall a little episode that occurred about a year later when I was delivering a course of lectures at the Moscow Technical Academy "Lomonossov." It was rather disconcerting to see how the students invariably sat throughout the lecture with their caps on, although it was a particularly hot summer. So on one occasion I decided to give them a broad hint. Having among my belongings a brand-new straw hat, I took this along with me and, when about half-way through the lecture, produced it in class and deliberately set it on my head. But the only result was that the whole class apparently found the sight of this broad-rimmed headwear much more interesting than my lecture on agricultural machine construction. Afterwards I was told that the students had cracked the vilest jokes about my hat of straw, which to them was something quite unknown and immensely ridiculous.

At last the door of Ordzhonikidze's room was opened and about forty persons came streaming out. This was the signal for the others who had been waiting for an audience to swarm towards the door, but they

were pressed back by the energetic secretary, who announced that it was my turn to be admitted to the leader.

Grigory Ordzhonikidze, a pronounced Caucasian type with hard features and all outward signs of a forceful intellect, was sitting at the head of a long table. He, too, was wearing a brown uniform devoid of all decoration. He received me with studied politeness and a show of kindness. Chairs were arranged around the walls of the room, whose huge dimensions gave it the aspect of a State room, and on either side of the long table, covered with red baize instead of the usual green. The walls were hung with multi-coloured charts and diagrams and the inevitable pictures of Lenin and Stalin. This was then the room where the never-ending conferences were held. Dr. Svanidze, in introducing me, gave a short account of my career and activities, whereupon the commissary, in a few brief sentences, made me acquainted with the field of my labours. I was to regard myself as a consulting expert attached to the organisation charged with the control of machine construction factories. I was to criticise and control and act as a general overseer; but was not to " do things " myself. Upon my replying that proper criticism and control, if it is to achieve its purpose, is a kind of " doing things," in fact it is just by working along some such lines that pioneers achieve their results, Ordzhonikidze laughed, but then remarked quite seriously that perhaps I should be given a chance to " do things " simply because there was so much to do. My chance came along quicker than I imagined. I also told Ordzhonikidze that I should like him to give me a guarantee of immunity for the duration of my contract, but this he refused on the ground that he had no authority to do so. However, he assured me personally that I should be treated like an " eyeglass in the hollow of the hand." This promise he kept.

A realist with a quick grasp of essentials, Ordzhoni-

kidze possesses all the qualities of an industrial leader, which accounts for his rapid promotion. Formerly the head of the Workmen's and Peasants' Inspection, he is now the big man in the organisation of Soviet industrial endeavour and, as such, Chairman of the Supreme Economic Council. Under his leadership the Workmen's and Peasants' Inspection played a far more significant part in Soviet economics than it does to-day. Most of the men he had gathered round him in the Workmen's and Peasants' Inspection are now occupying important posts; Yakolev is Commissary for Agriculture, Rosengoltz is Minister for Foreign Affairs, Akulov is in the Gay-Pay-Oo, Lazar Kaganovich is Assistant Commissary in the Supreme Economic Council, Zilko is in the Commissariat for Agriculture, and so on. Competent observers maintain that Ordzhonikidze had gathered around him the élite of the Soviet leaders during those days when he was head of the Workmen's and Peasants' Inspection. They were all men well able to command respect and to them are credited the ambitious objectives of the Five-Year Plan. If these objectives prove unattainable, the blame for the failure should not be laid to the account of these leaders who planned so boldly, but to the fact that the Soviet ship has run foul of the greatest system of bureaucracy ever erected. If there is anything in this country of Russia that is assuming gigantic forms it is its huge administrative apparatus with its tiring formalism and its laming futilities.

Lazar Kaganovich, under whom I worked for four years, is a man of excellent parts, a sincere character and an efficient organiser. We got along very well together in spite of difference of opinion on political and economic matters. If the Union had more of this type of leader, things would be other than they are to-day. Intelligent, active and reliable, his diligence knows no bounds except those imposed upon him by heart trouble. As a member of the Supreme Economic Council he was in charge of the entire machine

construction industry as well as shipbuilding. Cer tainly no easy task for a man who, only a few year ago, was a simple worker to whom the design of a Diesel engine meant absolutely nothing. But despite all his achievements in the field of organisation, like all the other Soviet leaders, he has been brought to realise that while it may be possible to turn out single machines or to produce large quantities of a copied machine, real progress cannot be made without the aid of specialised knowledge. There is an enormous shortage in Russia of creative engineers. It is very improbable that the present system of forced training of technical students is the best solution, because it is extremely doubtful whether such a system is capable of producing engineers sufficiently trained to cope with modern technical problems. In the first place, it results in a type of "specialist" that has no understanding of engineering tradition. Secondly, it does not bring out creative talent. Much is made by the Soviets of what has already been achieved in this direction, but it has to be borne in mind that production figures do not necessarily mean plus values: they may be the eloquent expression of wasted human and material energy. It is not quantity that counts in the long run, and quality of production is going to be the factor that will decide whether the rapidly-built skyscrapers of Soviet industry will stand the test of time. All great technical achievement of modern times presupposes the existence of a large body of highly-trained engineers and specialists. This has to be the sure foundation, and if the foundation is unsound no amount of mass enthusiasm will prevent a cracking up of industrial construction.

It is to be questioned as to whether the Soviets have fully realised this. It is absurd to imagine they will be able to save the situation by a new method of reckoning production costs. In all its essentials, business management remains the same in any sort of economy. Business has not been revolutionised if

the Soviets decree that a factory is to sell a reaping machine to the peasant, who has brought along his horse to fetch it away, at the price of 118 roubles and to deliver the same type of machine to the peasant 10,000 kilometres away at 118 roubles. If neither the factory nor the sales organisation nor the distant peasant has to pay the cost of transport, the State will have to make a book-keeping entry. That cannot be accounted a great achievement of the new system, unless, of course, the mere fact that the Soviets are able to take a rouble out of the agrarian pocket and put it in the industrial pocket is acclaimed as an achievement. But even this cannot be done without giving rise to signs of commercial atrophy. Moreover, it presupposes an unchanging purchasing power and financial autocracy. As a matter of fact, the Soviets are finding that the travelling expenses of the rouble in its itinerary from one pocket to another are much higher than they imagined. The declining purchasing power of the rouble has also tended to belittle the achievement.

Another thing the Soviet leaders have learnt is that it is not all the same whether the huge construction works are entrusted to the quick-trained "specialists" or to the engineers of the old school—and not even when these "specialists" have been sent abroad to see how things are done.

Talking these things over with the technical director of one of the biggest industrial trusts, a Russian engineer of outstanding abilities, he agreed with me that the position was one fraught with danger. "We are going ahead fast enough," he declared, "but we are racing along a dark road with blinded headlights."

In the summer of 1928 I was assigned the task of "reconstructing and mechanising one of the most important agricultural machine construction factories in the Union." A well-known Russian engineer warned me of the dangers I would have to face if I undertook this job. In his opinion, it would be

impossible for me, as a foreigner and unacquainted with the Russian language, to get the young and inexperienced Russian engineers of this factory to co-operate with me. For every department and projected improvement there would be piles of instructions, technical and economic calculations, charts and tables, detailed designs and compilations—in fact, these young " specialists " would see that every nut was accounted for.

As I had heard that he was rather upset because I, a foreigner, had been chosen for this job in preference to him, I did not set much store by his warning. Actually everything conceivable was done to harass and impede me, not only by the engineers of the factory but by my rival as well. In the end, the Government intervened. It came to a scene between Kaganovich and the Russian engineer, who now found himself in a very precarious position. However, I succeeded in putting in a good word for him and proposed him as chairman of the pre-examining commission that was to adjudge my designs. Nothing can be done in this country without a host of commissions. After overcoming a few difficulties, my proposal was accepted. Thereafter my former rival gave me his sincere support and did his best to induce the Russian engineers to co-operate in a positive sense. The designs were completed within thirteen months. A motor lorry had to be requisitioned to bring the mountain of designs, diagrams and calculations to the chief examining commission. The scrutiny in Moscow took several days. Then the designs were sanctioned.

Speaking of this ballast of rules and regulations, most of them quite unnecessary, it is still difficult to say just how far these encumbrances are the outcome of sacred bureaucracy or of the " wrecker " psychology. It is a fact that one and a half years after the above episode occurred, the Moscow newspapers published a sensational report that the chairman of the chief

scrutinising commission, the technical director of the trust, the technical director of the factory, his assistant and six other Russian engineers had been arrested on a charge of sabotage, to which they had allegedly confessed.

This may serve to show how great were the difficulties confronting the first communist industrial leaders in their task of reorganising industries destroyed by revolution and civil war. Their task was made harder by the fact that they themselves had little knowledge of factory organisation and by the fact that they had to rely on the support of Russian engineers who, in part, adopted a dubious or even hostile attitude toward Bolshevism.

Akulov, Ordzhonikidze's right-hand man in the Workmen's and Peasants' Inspection, was one of the earliest advocates of the introduction into Russia of a new process of hemp fibre production resulting in the manufacture of a cotton-like yarn. He had to overcome the obstinate resistance of the Russian specialists, who were all for the retention of the "cottonisation" process. These specialists were able to bring about a breakdown in the negotiations with the foreign inventor of the process. Shortly afterwards, however, most of Akulov's opponents were arrested as wreckers.

One of the biggest agricultural machine construction factories in the Union, one of the biggest in the world, in fact, is the "Zelmachstroy," in Rostov, now renamed "Ristelmach." It is under the management of Glebov-Avilov, a former commissary. This factory turns out the most up-to-date types of tractor-drawn agricultural machines, including ploughs, sowers, harrows, threshers, reapers and mowers. It also turns out enormous numbers of ordinary peasant dump carts, employing for this purpose its expensive equipment. Here, of course, the "amelioration factor," that is, the ratio of the factory-produced parts, is much too small in comparison with the amount of capital

invested in the specialised machinery, conveyor belts drying ovens and so on. It is typical of Soviet conditions that the same kind of peasant trucks or cart are being produced in the old factory "Krasny Aksai" and in Kherzon at a much cheaper cost with far less efficient equipment. When this was pointed out to Glebov-Avilov, he angrily asked whether it was intended to take away from him the only article which his factory was producing without a loss. At that time, production cost was on a par with selling cost. But in justice it should be added that in those days, from the factory point of view, the tractor-operated machines turned out by Glebov-Avilov's factory were suffering from infantile paralysis, while farm trucks had been produced for over one-and-a-half centuries.

In Rostov, I made the acquaintance of the former People's Commissary Bogdanov, who was then governor of the "North Caucasus." He struck me as being a clever, well-educated man of good disposition. Having started his career as an engineer, he was able to play an important part in the early days of the revolution. Throughout the whole evening we discussed the age-old project of a Volga–Don canal, which was very much to the fore at the time owing to renewed Soviet interest in the scheme. From a technical point of view his ideas were very interesting and his plans were as magnificent in conception as are most of the plans floating around in the Soviet Union. I expressed the doubt as to whether a Volga–Don canal would be a profitable undertaking owing to the huge sums it would swallow in upkeep, especially as the Don gets silted up badly in long reaches so that in some places, for example, in the vicinity of Rostov, it is possible in the summer months to wade across, the water reaching at its greatest depth up to the shoulder. I had strong misgivings. There would be the charges of interest and amortisation on the capital invested for the cutting of the canal, for building locks and hydraulic

lifts, for river regulation and river engineering. Added to this would be the huge annual cost of keeping the channel open for the big Volga barges plying between the Volga and the Sea of Azov. To my surprise, Bogdanov replied in all seriousness that a socialised society can tackle big schemes of this sort with the full assurance that they will pay in the end, whereas attempts to realise the same schemes under capitalism might end in a dead loss of capital.

I visited the gigantic Dnieper dam in the autumn of 1929 when it was still under construction. The Russian engineer in charge of operations, Winter, a capable and energetic man, was lecturing in the conference room on the technical and economic details of the Dnieper dam, the power station and the gigantic factory combine. He visualised the Dnieper as an important inland waterway upon completion of the whole project. He mentioned that it was found necessary to dynamite no less than 1·5 million cubic metres of cliff in order to build a concrete wall 42 metres high. As is generally known, the Dnieper power station has an estimated capacity of 800,000 h.p. During the work of construction housing accommodation had to be found for 25,000 workers.

An entire town has grown up on the barren site. Once or twice in the week, the Soviets arranged for a broadcast of the sound of the work of construction in order to impress upon the public the gigantic nature of this achievement. Will this huge undertaking turn out to be profitable? We must wait and see. It is doubtful whether the price of the electric current that will flow out from here to distant towns will be as cheap as the Soviets expect it to be. Still more open to doubt is whether doing away with the rapids in the vicinity of Saporosche will give to the little provincial town of Kherzon, on the lower reaches of the Dnieper, a bigger volume of trade at the end of the Five-Year Plan than Hamburg, as Mr. Winter declared in the course of his lecture. I was

often in Kherzon, my last visit occurring in the summer of 1931. At that time, at any rate, this town was still very much a backwater town. A little river steamer arrived from Odessa two or three days in the week and there was an occasional barge to be seen, but that was all, which can hardly be accepted as signs of preparation for outrivalling Hamburg.

The export trade of the Soviet Union was imbued with new life when Rosengoltz assumed office as Commissary for Foreign Trade. I had been in collaboration with him formerly, when he was a member of the Workmen's and Peasants' Inspection. Under his guidance, the export trade began to increase, although the mounting figures mostly meant less rations for the Soviet population already compelled to subsist on a minimum of life's necessities. The Russian's ability to get along without things is remarkable. In czarist times, the Russian people as a whole, but particularly those sections housed in the working-class parts of the big towns and those living in the villages, had very few conveniences of living. But the first-fruits of the Five-Year Plan are privation and hardships worse than in czarist days. It is to be hoped and desired that these additional hardships will not have been borne in vain and that this patient and good-natured people will at last enter upon an era of general well-being and prosperity.

Whether the system of extensive agrarian economy now in vogue will bring the success predicted by Commissary Yakolev is a moot point. Yakolev is another of those leaders who came to the fore while working with Ordzhonikidze in the Workmen's and Peasants' Inspection. A journalist by profession, he is regarded as the big force behind the reorganisation of Soviet agriculture, a task in which, judging from the number of ploughed hectares of steppeland alone, he has achieved a notable success, though it remains a matter of dispute whether it would not have been better to have ploughed less steppeland and to have

concentrated more on developing the area already under cultivation.

Criticism has often been made of the way in which the Soviets have treated the peasants. In many districts, for example, the peasants have not been allowed to retain sufficient grain for the spring sowings, and whole areas of grain-producing country have suffered from a bread shortage. There is a twofold reason for this : either the peasants and the collectives have not achieved their scheduled production or excessive quantities have been withdrawn for export. Cases of unnecessary suffering as a result of this policy are innumerable. Thus, to take one instance, in 1931 a quarter of the inhabitants of Rostov were deprived of bread ration cards. Rostov has a population of 400,000.

To be sure, grain had to be exported in order to obtain foreign exchange, which is necessary for the realisation of the Five-Year Plan and without which the Soviets would have to slow down the process of industrialisation. But when it is considered that only an average of 0·8 ton of grain was produced per hectare (as against three to four times this amount in Germany), one must seriously question the essential soundness of the policy of an extensive cultivation of the steppes as advocated by Yakolev. May it not be done merely for the sake of justifying the spending of vast sums of capital on the acquisition of the most up-to-date types of tractors and agricultural machinery? All this fuss and expenditure to produce, under the most favourable circumstances, an average of only 800 kilogrammes of wheat to 10,000 square metres!

Moreover, the question has to be considered in the light of the prices the Soviets are able to get for a ton of wheat on the world market. Then, again, consider the tremendous overhead costs in cultivating an acre of steppeland in this manner, interest and amortisation charges on the capital invested in expensive machinery, tractor stations, buildings and equip-

ment of all kinds; consider the high operating costs and the long-distance transport freights. Do these charges stand in any relation at all to the price at which the Soviets sell their wheat on the world market?

Is it not a fact that better harvest results per acre are achieved in other countries with far less outlay? Or take the big wheat-farming in America which so impressed the Russians two years ago: does it pay? Is it absolutely necessary to have three shifts of workers and to continue operations throughout the night with the aid of searchlights, placing expensive and complicated machinery in the hands of inexperienced mechanics who have little understanding of the proper care of a machine, all just to produce an average of 800 kilogrammes per hectare? And to burn the straw and plough it in? Is it not a fact that the plant has been so roughly handled that it has lasted only a couple of days or so, in some cases only a few hours?

Infantile paralysis? Of course, it is all put down to infantile paralysis! But it can become chronic if the Soviets continue to believe that the virgin earth of the steppes will continue to give its crop of wheat year after year without the need of fertilisers, if they continue to maintain that rotation of crops is just a foolish and reactionary invention of capitalist agriculture, that the machines made in the Soviet factories last longer than those imported from Europe and America and that the greater the acreage of steppeland taken under cultivation the less will be their losses.

When, in the autumn of 1930, I told one of Yakolev's associates in the Commissariat for Agriculture that the Fordson trailers produced in Leningrad are too weakly powered for the steppes, that the big trailers of 60 to 100 h.p. are too expensive for the same purpose, as are also the 20 and 24 feet reaper threshers, he angrily contradicted me. I pointed out to him that during the "campaign" the Fordson trailers used up to 50 per cent of the crank-shafts produced in the

Putilov works in Leningrad, originally destined for the production of new machines, as substitute parts for those broken through rough treatment, and that the heavy, complicated American reaper threshers could not possibly outlast three campaigns in view of the relentless way in which they were worked continuously for twenty-five days on end. Seeing that such a reaper thresher costs about 2,750 dollars, and calculating interest and amortisation charges at 8 and 33 per cent respectively and running costs at 5 per cent, each machine would represent a burden on production of approximately 4,000 marks annually, not counting cost of fuel, wages, upkeep, etc. I pointed out that this heavy expenditure stood in no sort of relation to the price obtained for wheat on the world market. I suggested that rather than bring further stretches of steppeland under cultivation, it would be better to concentrate on improving production on existing farmland and to pay due regard to rotation of crops. I put it to him that better results would be obtained by using 30-h.p. capacity tractors with cheap, easily-drawn mowers of 12 to 16 feet mowing-breadth, machines with which it would be a simple matter to harvest the straw.

Red with rage, he listened to me without saying a word. I had put myself in his bad books. However, in the summer of 1931 we were already making the first field tests with smaller and cheaper harvesters of our own construction. Promising results were obtained in three different districts. These machines were driven by the transmission shaft of a 28-h.p. tractor and therefore we had no need to equip them with special engines. We had also started tests in harvesting and binding straw. One day someone suggested to me that I communicate my proposals and the upshot of my experiments to Vyacheslav Molotov, Chairman of the Council of People's Commissaries. Kaganovich arranged the audience for me in the Kreml. I was accompanied by two German

experts, Dr. Biderko and the late P. Püschel, a noted authority on stock-breeding. Molotov received us in his private room in the Kreml. He listened attentively to our proposals, taking down many notes and plying us with a number of questions. Finally, after the audience had lasted one-and-a-half hours, he said he would submit our proposals to the Council of Commissaries. We were to hear further from him in due time. We did not. It makes one ponder on those words of the Russian engineer: "We are going ahead fast enough, but we are racing along a dark road with blinded headlights." May we still hope that the night of economic and political bewilderment that has settled upon the entire civilised world will give way to a dawn bringing prosperity to the human race?

# V

# INDUSTRY

By Nikolaus Basseches

(Correspondent of the *Neue Freie Presse*, Vienna)

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It would not be correct to suppose that the foundations of the industrialisation of the Soviet Union were laid down by the Bolshevik revolution. Imperial Russia itself had repeatedly passed through phases of intensive industrial integration. What differentiates the Soviet policy of industrialisation from that of earlier times lies solely in the methods it employs and the greater tenacity of purpose it demands in view of the vastness of its projects.

Russia experienced its first period of conscious industrialisation when, in the eighteenth century, industrial centres grew up in the Ural region. It was an industrial awakening that primarily had the object of supplying the needs of the home market. Later on, however, manufactured goods from this area began to appear on the world market. Then came the abolition of serfdom, giving a new impetus to the slow process of industrialisation. Yet not until the turn of the present century did Russian industry begin to adopt modern methods of production and to launch out with bold determination upon its new course of development. It was in the nature of things that Imperial Russia was able to reach out only spasmodically towards the goal of industrialisation. Down to the year 1862 serfdom stood solidly in the way of all industrial activity. Throughout the first

half of the nineteenth century, when the rest of Europe had long since made the passage to a general traffic in goods and had built up its monetary and credit systems, serfdom still preserved in Russia the simplest of all forms of economic life, the so-called "village economics." The upper sections of the Russian population actually subsisted on the proceeds of serf labour. Consequently, Russian industry had difficulty in finding a buying public and was made dependent upon State assistance. Moreover, serfdom had evolved an extensive and flourishing homecraft industry which was able to compete with the Russian manufacturing industry. This homecraft industry continued to dominate the domestic market, especially throughout the countryside, during the first decade of Bolshevik rule. The abolition of serfdom broke the back of the homecraft industry and gave Russian manufacturers their chance to convert the peasants into buyers of manufactured goods. But this development proceeded at a slow rate. Whole regions remained dedicated to village economics, consuming industrial goods to a very small extent or even getting along without them and so effecting a retardation in the tempo of industrial development. When, at the end of the last century and in the first decade of the present century, the Russian peasant found that he could enter into competition with the big landowners by selling his grain to export organisations, the position became more hopeful for the manufacturing industry which had by now realised that all further progress depended upon whether the peasantry would look kindly upon manufactured goods. But Imperial Russia never learnt the habit of setting itself a definite objective in economic matters, or if it did so, it lacked the necessary tenacity, so that further industrial development is marked by a series of setbacks and periods of stagnation. The agrarian reform initiated by Stolypin aimed at the abolition of collective ownership of land under the ancient Mir constitution and foresaw an era of agri-

cultural prosperity. But the reform was not proceeded with after the death of its creator, so that the development, which had the dual purpose of creating a peasantry endowed with high purchasing power and of providing industrial enterprise with huge masses of proletarianised peasants, did not come to maturity. Nevertheless the decade immediately preceding the Bolshevik revolution was an epoch of intensified industrialisation. Russian industry had now adopted modern methods and was turning its attention to a greater specialisation of production. This development was helped along by the war; factories were compelled in the interest of national defence to expand and to adopt modern methods of production. The fact is, even had there been no Bolshevisation, Russia would have entered upon a new phase of progressive industrialisation. It is also quite plain that the Russian countryside also was undergoing a process of industrialisation, although the rate of development was in this case a much slower one. From the countryside a steadily-rising stream of uprooted peasants was flowing into the towns, thus creating the foundation for a period of industrialisation. True, the village economics was slow in disappearing, and peasant homecraft industry was able to enter into competition with the manufacturing industry in the production of certain articles such as footwear and nails, household utensils and agricultural implements. But the growth of the Russian textile industry was a visible enough sign that the days of village economics were numbered and that the general acceptance of money as a medium of exchange by the peasants would open up vast possibilities for industrial development.

One of the first problems the Soviets had to face was how to create work for the surplus agrarian population. It was estimated that each year some 70,000 peasants were ousted from the countryside and forced to seek their livelihood as urban workers. The world war had revealed that the defensibility of a country is not

safeguarded unless it has developed big industries of its own. Furthermore, when the Soviets came into power they found that war and revolution had finally put an end to the primitive forms of village economics. New demands for manufactured goods had arisen in consequence. The Soviets realised that it would be futile to look to a revival of import trade to save the situation. It was plain that this would mean that Russia would have had to send abroad large quantities of her raw materials and natural resources and thus forgo any attempt to build up her own industrial life. It would have led to an indebtedness to foreign countries and eventually to a "colonisation" of Russia. The cry of threatened colonial enslavement helped the Bolsheviks to add the first touch of national sentiment to their policy with regard to industrialisation. They were also aided by other factors arising directly out of the revolution.

In a country in which upwards of 80 per cent of the population were peasants the Bolsheviks succeeded in setting up the dictatorship of a minority section of the population, a dictatorship of the wage-earning industrial proletariat over a huge class of small owners. It is the intention of this minority to impose upon the entire country new forms of social and economic life. This presupposes a dictatorship of some permanency. In other words, the minority has to convert itself into a majority, or at least strive for an equalisation of forces. The first objective of the Soviet regime consisted, *therefore, in an expansion of industrial life* in order to have at its disposal a large army of industrial workers. Since such a transformation naturally takes time, the Soviets were compelled to have resort to a second factor. They had to industrialise the countryside in the hope that the political and economic outlook of the peasantry would take on the same complexion as that of the industrial workers. In short, the Soviets found that every political and national signpost was pointing in the direction of industrialisa-

tion and that it was the categorical imperative of proletarian dictatorship.

Another point that deserves to be noted in this connection is that in previous years Russian industry was almost entirely built up with the aid of foreign capital. From the year 1893 to the year 1896, foreign capitalists invested in Russian industry a total of 145 million roubles. In the following three years, 1897 to 1900, these foreign investments had amounted to 450 million roubles. An attempt was made by the Soviet Government in the days of the New Economic Policy to get foreign capital to carry out the industrialisation. The attempt failed, however, and the Soviets were obliged by necessity to rely upon their own resources. Their difficulties were considerable, but the position was favourable in the sense that now they found themselves able to carry out the industrial integration absolutely in accordance with their own ideas and their own requirements. Despite this freedom of action, they soon found that they could not ignore the past. Their efforts in the direction of economic zoning in order to achieve the greatest possible output on the part of man and machine did not altogether succeed and they had to return to a strict adherence to the former geographical structure. Thus, it was thought possible to transfer the cotton industry from the Moscow industrial region to the source of the raw material in Turkestan, but this project was dropped as soon as it was realised that such a move necessitated a huge capital outlay for the construction of factories and for providing housing accommodation for the workers. So cotton had to continue to be transported over the long distance from Turkestan to Moscow; while all that could really be done in Turkestan in a constructive way was the introduction of improved cotton-cleaning plant. It is true, new factories for the production of big plant were set up in the Ural region, in the Kusnetsk Basin, in Siberia and in the Donetz area. But this did not shift the

centre of production away from the Leningrad and Moscow industrial areas, with their assemblage of machine construction factories and electro-technical workshops. Yet it is a fact that the economic map of the Soviet Union has undergone considerable readjustments. Two distinct trends are noticeable in this shifting of the industrial centres. In the first place, there has occurred a change in the relations between the individual centres to one another. Furthermore, the building up of the new industrial centres that came into being subsequent to 1928 and the elaboration of the old industrial centres did not take place to an equal degree. The change in the relationship of the industrial centres to one another was brought about not only by the application of planning to these areas, but because during the civil war the importance of certain areas had to be raised just because the military situation demanded it. Thus there occurred a displacement in the relation of the Ural region to the Donetz Basin. It was in this way that there grew up a new brown coal area near Moscow. By the year 1928 the restoration of the former industrial structure had practically been completed, and the Soviet Government was able to turn its attention to the main task of national industrial integration. This integration had to be carried out in keeping with certain definite view-points. The Soviets desired to set forth the advantages of the new economic system, and to this end began to exploit to the full the natural resources of the country. A start was made with the exploitation of those territories rich in natural resources but formerly neglected, for example, the Kusnetsk Basin in Siberia. Obviously the reason why these rich territories were not exploited in the past was that under the old economic system they did not hold out possibilities of profit-making, mainly owing to the difficulties of transport. There is now arising in these parts an immense industrial area for the supply of Siberia with goods and, in the not too distant future,

for the production of large quantities of goods for export to all parts of Asia, particularly to China. Naturally the Soviets were quick in realising the importance of the mineral resources in the Urals. Here they are engaged in extending the industrial structure which dates from the time of Peter the Great, but it is here, too, that they have made most progress in building new industrial cities. The most typical of these is Magnitogorsk, which has been erected with the object of exploiting the ore of the Magnet Mountain. Coal for this purpose is transported thither from the Kusnetsk Basin by a newly-constructed line approximately 2,000 kilometres in length. To-day it is not yet possible to form an idea of the immense possibilities of this new industrial zone. The factories are still under process of construction. In the barren fields stretching in all directions rows and rows of houses are springing up, and yet an army of 100,000 workers is still living in tents and barracks, making it seem as though a mighty host had laid siege to this new industrial stronghold.

The allocation of the new industries to the various parts of the Union is a matter that is dominated by other view-points. In the first place, there is the question of an equal distribution. To the Soviets this has a political aspect, since the industrial workers housed in barracks at the industrial centres are regarded as the garrisons of the proletarian dictatorship.

Then, again, certain machine construction industries, particularly the agricultural machine construction industry, are to be located in such a fashion that they will be able to make use of the transportation routes linking up the raw material sources and the consuming public.

Thus great industrial cities are growing up in the heart of agricultural regions where formerly there were only small industries chiefly engaged in the manufacture of agricultural necessities. For the Volga region it has been decided to make Stalingrad, formerly

Zaryzin, the new industrial centre. It is located at that point on the Volga where the Don is in greatest contiguity, which means that upon completion of the Volga–Don canal project it will become the most favourable spot for the production of agricultural machinery.

It is at Stalingrad that the Soviets have erected the big tractor construction works and the factories for the production of agricultural machinery; other huge undertakings are being assembled around these two industrial units. In the Ukraine, Kharkov substantially extended its industrial productivity as the result of the construction of its electro-technical industry and its tractor works. There has been set up in Rostov-on-the-Don a new industrial centre to serve the North Caucasian grain-producing area. Finally, the Kusnetsk district has been equipped with large industrial plant for the economic development of Siberia. These big schemes are changing the economic map of the Soviet Union. Big towns that have no pronounced industrial life, such as Yaroslav, Tver and Voronesh, formerly administrative centres, are reverting to provincial towns of minor importance. Ivanovo-Vosnessensk, now a centre of the textile industry but formerly little more than a village, has become the capital of an extensive industrial region embracing several former gouvernements. Everywhere new towns are springing up.

After the restoration of the structure of the older industrial activity had been practically terminated in 1927, and after the general adoption of more radical forms of economic control had done away with capitalistic factors, the Soviets proceeded to set up the Five-Year Plan, designed to embrace the entire economic life of the country but primarily conceived as a plan for the industrialisation of the Soviet Union. It was originally intended that the Five-Year Plan should achieve a productivity twice that of Russia in the year 1913. But the wave of radicalism and the

increase in population caused the Soviets to make readjustments from time to time and to set themselves higher objectives, including the realisation of the Plan in four years. The intensified programme was made known in 1930, but since then the Soviets have found themselves confronted with the task of modifying their aims so that to-day it is impossible to see the originally planned structure in clear outline. In any case, the elaboration and integration of industrial enterprise have been carried out on a big scale.

It deserves to be noted in this respect that the Five-Year Plan started out first of all to build up the stable industries and the heavy industries mainly with a view to the consolidation of the Soviet regime. The Bolsheviks intended in this way to make the Soviet Union so strong economically that they would no longer live in fear of the capitalist world. Moreover, they considered it necessary to build up the Soviet heavy industry for military reasons as well as to make it serve as a foundation for the socialisation of the entire economic life of the Union. As a matter of fact, previous to the year 1931 the heavy industry occupied the foreground. But by then it had become apparent that, although the machine construction industry was making good headway, the stable industries had lagged behind. This was particularly so with regard to the coal-mining industry. Officially the heavy industry achieved quite remarkable results. In the year 1931 the production of pit coal amounted to 56 million tons against 17·6 million tons in 1925, the petroleum production was 22 million tons as against 7·2 million tons in 1925 and the peat production 3·4 million tons as against 2·5 million tons. There was a similar rise in productivity in the other key industries; for example, the production of cast iron rose from 1·5 million tons in 1925 to 4·9 million tons, steel production increased from 2 million tons to 5·3 million tons, rolled iron from 1·6 million tons to 4 million tons and copper from 12,000 tons to

49,000 tons. Thus the output of fuel had multiplied itself by three to three-and-a-half times within the space of six years, but the output of metals had increased by only two-and-a-half times. The Five-Year Plan foresaw a production of 17 million tons of cast iron for the year 1932. As we have already said, the amount actually achieved in 1931 was 4·9 million tons. The amount the Soviets really hope to produce in 1932 is 9 million tons. The second Five-Year Plan looks for an annual production of 22 million tons. On the other hand, the machine construction industry has been growing at a tremendous rate. In the year 1925 the entire production of the machine construction industry was estimated at 730 million roubles, in 1931 at 5,724 million roubles. Of this total output the share of the agricultural machine construction industry was 441 million roubles as compared with 48·6 million roubles in 1925, that of the electro-technical industry 925 million roubles as compared with 92·5 million roubles in 1925, and finally the output of tools and implements showed an increase from 2·5 million roubles in 1925 to 40 million roubles in 1931. Similarly in 1925 the Soviet Union manufactured 469 tractors, in 1931 20,500. The production of machinery has therefore multiplied itself by from nine to ten times in the space of six years. This shows quite clearly how the key industries have lagged behind and failed to produce sufficient quantities to meet requirements. The machine construction industry has in its entirety fulfilled its Five-Year Plan programme, without, of course, taking into account the question of the quality of production. The entire production was to reach 4,394 million roubles in 1932–33, but the fixed price production had already reached 4,730 million roubles in 1930.

When the works now under construction have reached completion the Soviet heavy industry will represent a powerful combine. The automobile works at Nijni-Novgorod alone have an annual production

capacity of 140,000 automobiles. Taken together with the Moscow automobile industry, which is to turn out 30,000 automobiles annually, this represents a yearly output of 170,000 automobiles. The tractor works at Kharkov have an annual output of 50 tractors but are not working at full capacity. Nevertheless, it would seem that the strength of Soviet industrial enterprise has been over-estimated. In the year 1931, for example, there was a marked retardation in the tempo of industrialisation. Towards the end of 1930 it was officially announced that further construction schemes would not be undertaken. All efforts were to be concentrated upon the 518 projects then under construction. By the beginning of 1932 all talk about these 518 projects had ceased. Yet the second Five-Year Plan for the years 1933 to 1938 foresees a doubling of the industrial output of the Soviet Union.

During the last two or three years there has been a marked falling off in the production of manufactured goods. The Soviets have been devoting all their attention to the further development of the heavy industry. Of the entire industrial output for the economic year 1928–29 the heavy industry contributed 44 per cent, in the year 1931 it had risen to 46·6 per cent and in 1932 it is to reach 52·2 per cent. In taking this course the Soviets are disregarding certain economic factors. The agricultural industry had passed rapidly from the village economics prevailing prior to the war and during the early period of the revolution to an economy based on money and an exchange of goods. The outcome was a greater hunger for goods on the part of the agricultural population. Added to this was the fact that the countryside had become more densely peopled. To be sure, there has been a considerable extension of the textile factories in the vicinity of Moscow during the last several years. The Soviets have also constructed a number of factories for the production of artificial silk and woollen goods.

They have even established some new factories for the production of footwear. But the output is negligible in comparison with the rising demand, especially in view of the fact that the homecraft industry that formerly played the leading rôle in supplying the countryside with goods has been practically swept out of existence.

The figures showing the total production of light industry are very impressive. In the year 1931 the output of cotton yarn was 246 million metres, woollen yarn 132·7 million metres, silk 18·5 million metres and artificial silk 1,174 tons. But these figures are seen in a different light when it is held in mind that the cotton industry has not improved its position at all since 1930, while the output of woollen yarn and silk shows an increase of only 3 per cent and 4 per cent respectively over that of 1930. Artificial yarn shows a startling increase of 200 per cent, but that is rather misleading, since the production of artificial silk and woollen goods in the Soviet Union did not really begin in earnest until the year 1930.

The clothing industry showed an increase in annual output of 5·3 per cent, the knitting industry 29·5 per cent, the soap industry 13 per cent. This rapid rise in output is due to the fact that formerly the major part of the output of textile goods was produced at home or by the homecraft industry. As homecraft has now been practically annihilated in the Soviet Union it stands to reason that the industries producing ready-made goods are fully employed. But to what extent the output of the Soviet light industry falls short of the demand is well illustrated by the following example. In the year 1931 the production of shoes in the entire Soviet Union amounted to 76·8 million pairs. That does not represent half a pair annually *per capita*. The natural growth of the ready-made goods industry is dependent upon the supply of raw materials. It has to supply its requirements of these raw materials to an ever-increasing degree from the home market, since the process of

industrialisation and the needs of the heavy industry make it impossible to obtain the money to make the purchases abroad. The exploitation of the sources of raw material within the Union takes time to develop, so that the growth of light industry takes place at the cost of the long-established handicraft and home industries, since the Soviets are no longer in a position to supply the latter industries with raw materials, apart from the fact that the Soviets are opposed to these industries on political grounds. In this connection it should be borne in mind that in pre-war times something like 50 per cent of the requirements of the Russian population were covered by imports from abroad and that a rough calculation would show that of the goods produced in Russia only about one-half was of industrial origin. This in itself indicates the big part that used to be played by homecraft industry. The village was more or less able to furnish all its own requirements. And in this case we are dealing only with that part of the handicraft and homecraft industry which threw its products on to the market. Apart from this, there was a widely-distributed handicraft activity that did not market its products: the flax spun by the peasant woman to supply her own household needs, the articles of silk, cotton and woollen clothing produced in Asiatic Russia. To-day the spinning-wheel has fallen into disuse. To-day the peasants have to hand their entire produce over to the State, and any retention of small quantities even for their own use calls down severe punishment upon their heads. This in itself explains the appalling dearth of goods in the Soviet Union. The increasing output of the light industry cannot hide the fact that the total output of articles of use is probably below rather than above what it was in pre-war Russia.

The deficient supply of the population led to a decline in labour productivity which had the effect of turning the attention of the Soviets to the state of the light industry. Renewed efforts were to be directed

towards an advancement of the light industry. A start was even made in the work of restoring the handicraft industry, but it met with no practical success. The chief trouble was that by the year 1931, the third year of the Five-Year Plan, the Soviets had no further financial resources to enable them to come to the assistance of the light industry.

The question of the productivity of labour and production costs casts an illuminating light upon the entire industrial development of the Soviet Union. There is no longer any doubt that the average output of the Soviet workers is falling off. During the last several years the Soviet Government has attempted to effect a reduction in the extraordinarily high production costs. That this should not be hard to accomplish is revealed by the fact that the cost of producing a tractor in the Stalingrad Tractor Works was reduced from 5,793 roubles in January 1931 to 3,328 roubles in December of the same year. This is characteristic of Soviet methods. In spite of all the measures taken by the Government, it has not been possible to reduce production costs. Even the official figures disclose that in the year 1931 the production costs of the entire Soviet industry rose a further 3·7 per cent, in the heavy industry by 5·5 per cent and in the light industry by 1·25 per cent. The individual figures present a still more appalling picture. The relatively moderate increase of production costs is also explained by the fact that in machine construction the production costs were lowered by 6·7 per cent, in some cases even lower; for example, a 17 per cent reduction was achieved in the production costs of textile machinery. Nevertheless, the Stalingrad example gives an explanation for this lowering of production costs, namely, the simple fact that the first machines to be turned out were produced at an abnormally high cost. The whole question of production costs in the Soviet Union is best illustrated by the fact that in the year 1931 production costs increased in the metallurgic industry 17 per cent.

in the peat industry 28·5 per cent and in the coal-mining industry as much as 30 per cent.

A substantial improvement is not to be expected, since the real causes of the increase in production costs —and the increase is certainly much higher than the official figures admit—lie in the nature of things. In the first place, the Soviet industry is deprived of a basis on which to make its calculations. The position in the Soviet Union with regard to currency and price-fixing is a remarkable one. The Soviet Government seeks to allow the old gold rouble to remain intact within the domain of industry and the circulation of goods under State control. Outside this circumscribed State economy, and even at those points where the State economy comes into contact with the consuming public, there are all the terrific signs of an inflation. The invisible high wall that has been set up around the State economy does not succeed in preventing this inflation from inundating the economic sector of State capitalism. For the worker who draws his wages in the State factory is likewise a member of the consuming public. This is the flood-gate by way of which inflation enters the State factory. The result is, of course, that there is no definite basis for calculation. The artificial rouble of calculation—the " price obtaining in the year 1926 "—is only a poor makeshift. In addition to this there is the fact that there is an appalling shortage of labour which of course lowers the standard of efficiency because the bad worker stands in less danger of losing his job. The general shortage of food does not help matters. The psychology of the worker has also tended to disintegrate under the strain of radicalisation. The year 1930 was the time of the " equalising " of wages by the system of forming a pool. This system naturally works out to the disadvantage of the efficient worker, and when the Soviets did away with it they found themselves boosting the opposite system of piece-work and bonuses; in short, they found that they had to apply the whole mechanism

of purely capitalistic incentive. As this did not appear to suffice, they retained one of the achievements of the radical period—the system of the shock brigades.

Only now, instead of being an entertaining Soviet game, this system has been given definite content. The shock brigades have certain tasks to perform and receive in return special privileges. As the total amount of consumption goods is not sufficient to go round, it is clear that these special privileges granted to the shock brigadiers, usually in the form of extra rations, can only be given at the expense of the other workers. As the reversal to new methods naturally displeased the workers, the Soviets were compelled to look for new incentives. The pursuit of the piece wage, the chase set up by the shock brigadiers in pursuit of standard achievement, bringing in its train material advantages, has resulted in a tremendous increase of waste. It is said that in some plants a 30 per cent waste is regarded as normal. But the remaining 70 per cent is for the greater part not marketable, at least, according to European or American notions. As the Russian piece wage is based on the principle that it becomes operative upon completion of a minimum output, the standard of achievement demanded was continually raised. This resulted in the workers endeavouring to turn out as many units as possible and a consequent further increase in the percentage of waste. The Soviets then resorted to the method of exacting fines for discards. But as it was generally a question of group work, each individual of the group felt himself innocent of the charge of faulty production and this led to a further sinking of the morale of the working class, giving rise, in conjunction with the shortage of consumption goods, to a disinclination to work.

At bottom the real difficulties of the Five-Year Plan will present themselves subsequent to 1932. The key industries have not developed up to schedule. The second Five-Year Plan has been conceived within more modest limits and aims at a final objective which with

regard to the production figures is scarcely in excess of that aimed at in the first Five-Year Plan. The position with respect to the coal-mining industry is still very indefinite. Planned for 1932 was an increase in the total industrial output of 36 per cent. Production costs were to be reduced by 70 per cent. The number of workers employed in industrial undertakings was to increase by 1,200,000. Should these figures be achieved, then it can be said that the first Five-Year Plan has been fulfilled. But only in a formal way; because it is mainly a question of the proper organisation of industrial life, the attainment of a standard of quality at least within 50 per cent of normal requirements, and the reduction of waste that the Soviets generally include within their production figures. The fact is, it is still necessary to regard all talk about the formal fulfilment of the Five-Year Plan with some scepticism. Undoubtedly all the presuppositions for its fulfilment seem to work in its favour. The U.S.S.R. is rich in natural resources. It contains within its territory all the factors required for the building up of its industrial life. But these natural resources are distributed over a vast area. And in order to overcome these immense distances the Soviets need men and machinery. Every new advance made by the Soviets in the work of industrial integration merely serves to complicate their transportation problem. The fraction of a nation's total efforts that has to be directed to the task of overcoming its distances grows in geometrical progression to the extent of its territory. The Soviet Union is a thinly-peopled area despite its 165 million inhabitants. The Soviets will have to develop tremendous resources of power and of human labour before they will be able to solve the problems they have set themselves. A few generations will have to pass by before there will be a supply of human material adequate for the purpose of carrying out the industrialisation of the country. The Russian worker is not worse than any other worker. Maybe he is better. Tremendously eager to learn and

skilful at his job, he is quick to adapt himself to industrial life. On the other hand, he is wanting in tenacity and perseverance and above all he is a stranger to mass discipline. The Russian is not yet used to a mode of living based upon integral communism.

# VI

# AGRICULTURE

By Professor Dr. Otto Auhagen
(Director of the Ost-Europa Institut, Breslau)

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Russia's land problem is the signpost to its destiny. It led to the overthrow of czarism. It was mainly responsible for the failure of the Bolsheviks to achieve initial success with their policy of radicalism. And now it is the question which is causing Stalin the greatest anxiety in the execution of his policy with respect to the Five-Year Plan.

In the year 1917 the great majority of the Russian peasantry was lending its support to the revolution. War-weariness may have accounted in part for this, but the chief reason was to be sought in the widespread dissatisfaction of the peasants with the existing system of land tenure. Stolypin's agrarian reform, helped along by the unfavourable upshot of the Russo-Japanese war, struck at the root of the evil. A new system of land tenure conceived on a large scale took land away from the big landowners and gave it to the peasants. Stolypin aimed chiefly at reforming the village constitution and putting an end to the parcellation of peasant holdings. He wanted to create a powerful class of big and medium-sized peasant proprietors. Despite its defects, had there been no war the reform would have led to good results, particularly as it was greatly helped by the tremendous expansion of Russian industry which set in subsequent to the year 1905 and enabled those who were forced

out of the village in consequence of the reform to find possibilities of employment in the towns.

After the triumph of Bolshevism the Soviet Government had at first to stand by inactive while the land hunger of the peasants found expression in a seizure of the greater part of the big estates: 97 per cent of the entire land under cultivation passed into the hands of the peasants. The remainder was converted into State farms. In setting up these State farms the Soviets were actuated by the desire to convince the peasants of the superiority of socialist big-farming methods. At the same time, the Soviet Government urged upon the peasants the advantages of collectivised farming, holding out to them all manner of privileges. As a matter of fact, thousands of collective farms came into being, and the Soviets were already prepared to regard the individual landholdings as a form of farming that was in process of extinction. But conditions in general in those days were such that, with the exception of a small number of State farms, the socialised form of farming failed to make headway in face of the growth of the collectives. At the same time, the peasant landholdings, the real backbone of Russian agriculture, were all but swept out of existence. In the winter of 1921 the political and economic situation became extremely precarious. Lenin therefore decided, in March 1921, to inaugurate his New Economic Policy, giving free play again to private trading in the domain of agriculture. The peasant could again grow what crops he liked and dispose of his products as he pleased. Agriculture began immediately to recover, a progress that became more marked from year to year.

Retention of the strip system of peasant holdings was the weak point in the treatment of agriculture which followed upon the inauguration of the New Economic Policy. As a result of the revolution the number of peasant holdings had increased tremendously; everyone who desired to return to the soil could put in a claim to land. Land was divided up in some districts

to such an extent that each member of each family had a tiny strip of land. After the famine year 1921–22 there was a further considerable increase in the rural population. In the year 1932 the total population of the Soviet Union approximated to 165 million, of whom 130 million were spread out over the countryside. By far the greater part of the increase was due to the growth of the rural population. The result was that the number of peasant holdings throughout the Union increased from 21 million in the year 1916 to 25 million in 1927. Naturally, this went hand in hand with a decrease in the size of the holdings, a fact that considerably affected the production of marketable products.

This evil induced the Soviets, at Stalin's instigation, to make basic changes in their agrarian policy. The truth is, the real agrarian revolution in Russia occurred towards the end of 1927 as an outcome of the enactments of the 15th Congress of the Party.

The main objective of the Soviet regime is the socialisation of the entire agricultural life. Big-scale mechanisation and socialisation are to give agriculture a pronounced industrial character and to transform the peasantry into an industrial proletariat. After all, the fate of Bolshevism depends upon whether the Soviets can succeed in winning the favour of the peasants. Lenin always kept this point well in mind, but he believed that the socialisation of agriculture would take some considerable time. According to his own statement, the New Economic Policy was to be looked upon as a devious route to the attainment of this distant goal. What is it, then, that has induced Stalin, only five or six years later, to set his course towards the immediate attainment of this goal? Certain imponderables may have fundamentally affected the position. But the fact is, Stalin had practical grounds for his decision. Apart from the consideration that the continuous parcellation of the peasant holdings had become a menace to national

economy, there were other weighty factors. Although agriculture had been forging ahead from 1922 to 1927, the increase of production failed to keep pace with the increase in population. The real cause of this was that even the New Economic Policy did not give private trading a chance. The peasants suffered under the price restrictions imposed upon them, that is, they suffered as the result of the incongruity between the prices for agrarian and for industrial products. The nationalisation of the big industries to strengthen the foreign trade monopoly was responsible for this state of affairs. The dogmatism of Stalin could not tolerate the thought of the New Economic Policy gaining a firm foothold. Undoubtedly, had it been able to do so Bolshevism would soon have found itself in full retreat from its final objectives. With a view to making socialisation more acceptable, the Party had been drumming into the peasantry since 1927 that to live as small peasants was to live in a state of barbarism. In reality, the Russian peasant is not unresponsive to progressive ideas. After 1905 peasant farming showed a surprising advance. The world war, too, made the peasants more receptive to new ideas. The experience of the war extended the horizon of the peasant's mentality. As prisoners-of-war they had got to know German and Austrian conditions and returned to their villages as pioneers of progress. The slowness of the subsequent development was due more than anything else to the imperfect features of the State economic system.

Another factor that favoured the socialisation of agriculture was that State planning tried to concentrate on a production that favoured agriculture. The means used lay in the sphere of price fixation and taxation. The peasant was quick to react to these regulations which changed from year to year, but his reactions were invariably contrary to predictions. On no occasion did the Soviets succeed in setting up a balance between prices and taxes. And when, launching out on a

course in diametrical opposition to the New Economic Policy, they began more and more to throttle private trading, the peasants replied by concealing their products. The Soviets then decided to bring all surplus production under State control, to ensure as far as possible the carrying out of the Five-Year Plan programme for supplying the towns with food-stuffs, industry with raw materials and export trade with agricultural products.

An additional factor, apart from the change of policy in 1927, was of a political nature. In that the New Economic Policy gave the peasants a greater measure of freedom, it created the assumption for the setting up of social distinctions in the village. Militant communism had practically done away with the big estates. After 1921, however, the peasant who showed more intelligence and more efficiency than his neighbour was able to improve his status : he could extend his farm by renting additional land and employing hired labour and he could undertake a more intensive cultivation of his land by investing his savings. The creation of an upper caste of peasant proprietors with prosperous farmlands was thus the reverse of the picture of progressive parcellation of the holdings, with a dwarfing of production. This development, had it been allowed to go on, would have effected a reform of the village, corresponding in all its essentials to that aimed at by Stolypin, with the exception that the rock-bottom peasantry would have been given a chance to save itself by forming collectives.

In its application to agricultural life the New Economic Policy was tantamount, in its last analysis, to a renunciation of the Bolshevik dogma : private capitalism would have flourished again in the countryside. It could not have been otherwise, since a policy that recognises the incentives of private trading has of necessity to grant validity to all forms of private enterprise.

Stalin has tried hard to save the dogma. Years previously the so-called Left opposition under Trotzki's

leadership had characterised the peasant proprietors as the mortal enemies of Bolshevism. No sooner had Stalin achieved victory over Trotzki than he took up the fight against the kulaks. This epithet of abuse dates from pre-war times, when it was used by the villagers to brand the unscrupulous profiteer and other types of exploiter. To-day it is applied to all who, through their industry and their capability, have raised themselves above the average. The fight against the kulak and the socialisation of agriculture are actions of reciprocal effect. On the one hand, the road to socialisation is opened up when the rock-bottom peasantry can no longer look to the rich peasants for economic backing; added to this, as will be shown later, the terror directed against the kulaks is the most effective pacemaker for socialisation. On the other hand, if the rich peasants are swept entirely out of existence, nothing remains over in the village except the large mass of rock-bottom peasants who with their tiny strips of land are of little assistance to the State. The Soviets realised that some sort of concentration of forces is an absolute necessity for Russian agriculture. The logic of events had shown that, after the destruction of the big estates and the rich peasantry, there was no other way to the attainment of this objective than to attempt the socialisation of rural life.

From an economic point of view, the policy of socialisation rests upon the idea that the big unit is far superior to the small unit by reason of its labour organisation and its better equipment. To the Soviets the machine is everything. Tractors and reaper-threshers are looked upon as the most important instruments in the endeavour to increase production. Undoubtedly, Russia offers favourable presuppositions for the employment of machinery for big-scale farming. From the point of view of population factors, conditions are not too favourable, however. Up to now the countryside has had a tremendous surplus of workers, estimated at 15 million. Industry, even considered

from the point of view of the Five-Year Plan, is not in a position to reduce this surplus to any marked degree. True, industry suffers from a shortage of skilled workers and the countryside has an inexhaustible reservoir of unskilled workers. Should it meet with success, the mechanisation of production in big farm units would effect an increase in this surplus of rural population. The Soviets hope that later phases of development will bring about an equalisation of conditions; in the meantime, there is the danger that a too rapid mechanisation of agricultural production might lead to an appalling waste of human labour, the reverse of what happened in North America.

Many factors seem to make a large-scale mechanisation desirable in Russia; but the development in this direction would have to be in line with the conditions of organic growth, and it would be wrong to suppose that the tempo should be dictated from above regardless as to whether certain factors of decisive influence will develop at the same rate. The Soviet policy of socialisation pays no regard to these assumptions and is therefore a policy fraught with danger. Its worst blunder is that it loses sight of human nature in its blind adoration of the machine. The Soviets are all too ready to believe absolutely in their power to imbue the Russian people with the spirit of collectivism. They take no thought of the fact that the great majority used to be anything but keen in their attitude towards communal interests.

The prevailing view that the Russian peasant has a natural leaning towards communism ignores his real nature. It is true that the average Russian peasant was not so pronounced an individualist as, say, the German peasant. Vast areas of unclaimed and uncultivated land opened up possibilities of extension and a redistribution of land so that the Russian peasant did not feel himself confined and restricted to a plot of land. Where the community owned the land under the Mir system, individual farming did not get a chance to

develop. Moreover, it was left to the community to decide all matters regarding the distribution and sowing of the available acreage, the allocation of pasture-land and woodland. In this respect there was little essential difference between conditions in Russia and in Germany of former times. The communist aspects of the Mir system should not be over-estimated; the holdings were run on individual lines with the same attention to rights of proprietorship as in Germany.

Yet the spirit of the Mir system, which regarded the soil as a common heritage, did act as pacemaker for the socialisation of Russian agricultural life. It helped the Soviets in the sense that it prepared the way for collectivised farming, but it also unconsciously prepared the way for socialisation, since it was responsible for the parcellation of land into smaller and smaller units.

As in other countries, the progressive peasants in Russia sought to liberate themselves from an obsolete system of land tenure, but the belief clinging to the soul of the mass of Russian peasants that all should share alike, held them captive. And then the tragic logic of these tenets was turned against the mass of peasants: communism of the soil led to a communism of production, robbing the peasantry in its totality of all further claim to independence.

The psychological assumptions of collectivisation took on a favourable aspect, not so much by reason of the fact that the Russian peasants were accustomed to the collectivist idea, but rather because the sacrifice of independence meant far less to the majority of these Russian peasants than it would to peasants in other countries. Because they were less confined and restricted to a single plot of land, because they were less rooted to the soil in the Western sense of proprietorship, they found it easier to submit to collectivisation. On their dwarf farms they were scarcely able to keep body and soul together, and as most of them occasionally left their holdings to appear as seasonal workers in

factories and in mines, the transformation from peasants into agricultural workers did not inflict upon them the necessity of a new mode of living. The Russian peasant is inured to despotism. That does not alter the fact that in their great majority the Russian peasants, especially the more progressive elements, still prefer independent farming, however modest its dimensions.

The Soviets have attempted the socialisation of agriculture by the creation of big State farms and by the collectivisation of the peasants. In 1928 the programme was extended by the creation of a considerable number of gigantic units. These big units of production now constitute an important feature of Russian agriculture. They are equipped as "grain factories," that is, mechanised grain cultures, and are located in those parts of the south-east and east where rainfall is scanty. Here large areas formerly given over to cattle-rearing are linked up under the control of the Corn Trust. In these semi-arid regions the average small peasant would stand no chance as a grain-grower. Here, grain culture calls for the big farm or, at least, big-farming methods.

The new units were started as gigantic farms: in 1929 the average size of the farms was 40,000 hectares, in 1931 it had increased to 80,000 hectares. In one or two cases the farms attained a total acreage of upwards of 200,000 hectares; the farm Gigant, for example. From a technical point of view these farms present an amazing spectacle, but in actual achievement matters are not very favourable.

Crops show too poor results and the costs of production are too high. Lack of personnel for the organisation and control of these gigantic undertakings is mainly responsible for this state of affairs. This has obliged the Soviets to effect a reduction in the size of these farms. The standard size is now from 40,000 to 50,000 hectares. Another cause of failure lies in the insufficient training of the technical personnel and the poor discipline of the workers. By far the greater part

of the tractors scarcely last out harvest operations and then have to be sent away for a thorough overhauling. Disillusionment is deepening from year to year; in 1931 it was expected that by the end of June the Corn Trust would be in a position to deliver 2·66 million tons of grain. It delivered a little over 1 million tons only.

Yet the importance of these new grain cultures should not be under-estimated. They represent an additional big-scale production mainly intended for export. Actually the Corn Trust has now a production far in excess of its original programme, and the extent of the area it has under cultivation has increased to upwards of 4 million hectares, whereas it was originally intended to have by 1933 only 2½ million hectares under cultivation. Plans for further growth have recently been curtailed, however, owing to unforeseen difficulties. In 1930 Stalin announced that by 1933 the sowed area was to amount to 14 million hectares, but in 1931 this programme was readjusted and the area fixed at 9½ million. To-day it is certain that even this figure will not be achieved. The summer sowing according to the programme for 1932 is to exceed that of the previous year (3,516,000 hectares) by only 2,000 hectares.

Huge State units have likewise been set up for other branches of agriculture, for flax culture, for example, for fruit and vegetable culture and particularly for the various kinds of cattle-rearing.

The real issue is whether it will be possible for the Soviets to carry through to success their programme for the socialisation of the peasants. The significance of the collectivisation lies in political as well as economic aspects, since it represents the attempt of the Soviets to win the countryside over to Bolshevism.

Collectives are those agricultural units which work on a co-operative basis, and are composed of a number of individual holdings which have either partially or totally renounced their independence. There are three distinct types of collective. The simplest type is

that in which there is communal ownership of the land in the sense that ploughing, sowing and harvesting are carried out regardless of individual boundaries; threshing also is carried out on a co-operative basis so as to divide the harvest proceeds among the various members. A higher form is the artel, in which the land and the cattle are held in common. The highest form is the agricultural commune, the ideal of the Party, because here, not only is all work done collectively, but a first endeavour is made to introduce a communal mode of living in line with Bolshevist ideas.

Until Stalin took to forcing collectivisation upon the peasants, it made little progress. The fever of collectivisation that had set in when the Soviets first made their lavish promises died down during the period of the New Economic Policy. The higher forms of collectivisation, notably the communes, suffered a setback, whereas the peasant co-operatives began to make considerable headway. Under prevailing conditions this form of farming had a certain attraction for a section of the poorer peasants and agricultural labourers: those who lacked implements and horses found that collectivisation could at least save them from total extinction. And yet, previous to the year 1927 only 1 per cent of the peasant holdings had been collectivised.

Most of the early collectives led only a bubble existence, others succeeded in maintaining themselves and were able to produce on the whole better crops and better live-stock than was possible when the dwarf holdings, of which the collectives were composed, were run on individual lines. The collectives, however, did not attain the output of the rich peasants, a fact that has been established by an official Soviet inquiry. In those days the collectives were composed of peasants who had joined voluntarily, and they enjoyed valuable privileges even under the New Economic Policy; for example, they were especially favoured in respect to taxation and credit. The actual collectivisation was

often initiated by the Government in that it gave the peasants the credit needed to purchase a tractor. During the era of the New Economic Policy, many of these collectives fell heavily into debt, a fact which gives a dark background to the technical aspects of collectivisation when carried out under favourable conditions.

The erection of Machine Tractor Stations, the first of which was set up in the Odessa region in 1927, had a significant influence on the subsequent developments. These stations may have on hand as many as 100 tractors and more, together with all the necessary accessories, as well as threshing machines, repair shops and technical personnel. Each station undertakes to draw up agreements with nearby village communities or collectives, on the basis of a share in the harvest in exchange for technical assistance. To-day these stations are the so-called heavy artillery of the "forced" collectivisation: they are established by order of the Government, and instructions are given to ensure that the peasants within the working radius of each station are linked up with them. It is arranged for each station to have a maximum field of operation of 50,000 to 60,000 hectares. By the year 1930 there were 313 stations in operation; by 1931 this figure had increased to 1,400 and in 1932 it is planned to have 3,100. One-third of the summer and winter sowings in 1932, roughly about 48 million hectares, are to be carried out with the assistance of these stations.

At the end of 1927 the Soviets set their course towards a speeding up of enforced collectivisation, although it was formally still left open to the peasants to form voluntary co-operatives. The point in allowing the peasants to act of their own free will in this matter as far as possible was that the collectivisation would then seem to be in line with the private interests of the peasants. But to-day this regulating factor of self-interest has been totally discarded. A genuine spirit of co-operation within the collective might have

been set up on the basis of voluntary association, but to-day it is out of the question, since the collectives are now entirely dependent upon the State.

Mass enforcement has also brought about a changed attitude of the State towards the collectives. When their number was limited the State was able to show a kindly disposition towards them. Now that many millions of peasants are collectivised, the financial resources of the State are not sufficient to allow it to continue to support and further the collectives in anything like the same way. As collectivisation advances, so the State assumes towards it more and more the attitude it formerly adopted towards the individual farms. To-day, forced collectivisation means in the long run that the peasant has no choice as to which form of collective organisation he would prefer to join. In a formal sense, he is still allowed to decide in favour of the lowest form, communal ownership of the soil, a form that would most appeal to the peasant of independent spirit. But under prevailing conditions the peasant has become mistrustful of this form because he knows that the commune will soon follow in its wake.

What does it signify when the entire peasantry is forced into the commune at the dictation of the Party? It means a revolution of the countryside and an entire break with the historical past throughout the length and breadth of the Soviet Union. The village is to disappear, and in its place is to be set up the big collectivised unit of production with its central buildings, around which will be assembled the barracks providing housing accommodation for the peasant labourers. Together with the village disappears the church; religious life is to be suffocated and all the traditions and customs and modes of life of the peasants are to be uprooted from their native soil. Not only during working hours but even in all their free hours the people of the commune are to be compelled to put up with each other's company; common kitchen, common mess halls, and evenings spent in the political clubs.

But the profoundest interference with peasant life by the commune will be in the breaking up of family life; it will be robbed of meaning, since the commune will separate the children from their parents.

Although the great majority of the peasants was scared at the thought of the commune—the final objective of collectivisation—the Soviets have succeeded in driving most of them into the collectives. This success was mainly due to the pressure exerted upon the individual peasant and above all to the terror directed against the kulak. This terror did more than destroy the rich peasants, who constituted only a small percentage of the village: it destroyed all initiative in the village. Among the great mass of small peasants there were many millions who would have liked to improve their position but who have now recognised that the individual farm now holds out no future for them and that their only salvation lies in joining the collectives. Molotov declared at the Congress of Soviets, in 1931, "Every small and medium-sized peasant who has not joined a collective has now to face the issue: for or against the collective! Against the collective means supporting the kulak against the Soviet power." Enforced collectivisation is thus quite frankly endorsed by the high authorities. It should not be imagined that the kulak is at all comparable to the big farmer in West European countries: true, some of the kulaks were quite well off before the war, but these have long been suppressed and now, on the whole, in spite of a certain recovery of position during the era of the New Economic Policy, the average kulak corresponds to our idea of a small farmer. To the Bolsheviks the chief characteristic of the kulak is that at some time or other he employed hired labour, even if it were only a single labourer. It is not true, as has often been asserted, that the kulaks have been persecuted because they opposed collectivisation. Just in order to keep body and soul together they would be willing enough to join the collectives. They are not

allowed to. Stalin has insisted time and again: " There is no room in the collective for the kulak, the kulak is condemned to death." This terror directed against the rich peasants deserves study, not only as a sample of the methods employed by Stalin in his endeavour to reach final objectives, but because it is just this terror that explains the apparent great triumph of collectivisation.

After passing through various phases the terror assumed inhuman forms in the autumn of 1929, when more grain was demanded of the rich peasants than they were known to have harvested. Many peasants were thrown out of their homesteads and run out of the village because they were unable to meet these demands. It was at this time that many thousands of German colonists set out for Moscow in the hope of getting permission to leave the country. The worst came in the winter of 1929–30. The rapid speeding up of collectivisation set on foot by the terror of the grain campaign was acclaimed a brilliant victory for the new policy; Stalin therefore decreed the entire collectivisation over a great part of the Union and, in connection with this, the immediate liquidation of kulakism. This liquidation consisted in the deportation of the peasants, peasants who had committed no political crime and who had not even taken sides politically, but whose sole blunder was that they had improved their position by diligence and better knowledge of farming. Deportations in that winter alone sealed the fate of at least 500,000 peasants, in addition to 50,000 German colonists.

These events, which occurred in the months of January to April 1930, evoked much dissatisfaction throughout large sections of the Russian people. Partly because of this, but mainly owing to the fact that the spring sowings were endangered, Stalin found himself compelled in March 1930 to set limits to the collectivisation now over-running the country like an unhealthy growth. His manifesto of March 2nd must have

struck the local functionaries with amazement when in reading it they discovered they had been guilty of proceeding with collectivisation too hastily. The number of collectivised peasants soon underwent a startling reduction, from 15 million to 5 million. But as soon as the harvest had been safely brought in, the work of carrying out the collectivisation was again taken up, reaching its greatest intensity in the early part of 1931, only to ease off once more in August. Sixty-two per cent of the peasantry had been collectivised by the autumn of 1931 and unless a change of policy takes place the entire collectivisation will have been achieved, according to Stalin's opinion, by 1933. The trend of events has made the movement take on a much more rapid tempo than was originally considered desirable. According to the Five-Year Plan, by the year 1933 only 14·1 per cent of the rural population is to be collectivised, but in the year 1930–31 58·7 per cent of all land under cultivation had passed into the hands of the Kolkhozes and 7·7 per cent was claimed by the Sovkhozes. The Soviets planned to have 83·9 per cent of the total agricultural productivity included in the socialised sector in the year 1931–32.

The movement would have encountered much more obstinate resistance on the part of the peasants had not Stalin decided in March 1930 to follow up his action for the retardation of the tempo of collectivisation with a change in policy with regard to the forms of collectivisation: the commune, so hated by the peasants, was to continue to be held out as the final objective, but for the time being preference was to be given to the artel. The artel was to stand for the collective organisation of agricultural work in all its branches, but the new statutes gave the individual members the privilege of retaining a cow or so, a small amount of live-stock and a vegetable plot. About 90 per cent of the collectives were now registered as artels. The total number of collectives in August 1931 amounted to 228,100.

What, then, is the economic significance of this advancing collectivisation? In the first place, it is plain that the Soviet Government is unable, since it is a mass movement, to equip the many thousands of new collectives with tractors and other machinery, which, after all, represented the main enticement to join the collectives. What has chiefly happened is that the collectives have merely pooled the equipment of the individual farms. But it is obvious that the new big unit of production calls from the outset for proper organisation and control. Nor can the personnel needed for such a task suddenly appear from nowhere. Disputes, disorderly management, waste of human labour, slovenly treatment of the farm inventories, including the live-stock, are therefore of common occurrence. But the greatest evil of all springs from the fact that the peasants who have been forced into the collectives have no heart in the work. Labour discipline is, indeed, a very sore spot in the conduct of the collective. In order to improve matters in this respect the Soviet Government enacted in the year 1931 that, just as in industry, as far as possible the principle of piece-work should be applied to agricultural labour, an interesting departure from the view of early Bolshevism, which was wont to pour out its invectives on piece-work, styling it murderous work.

The policy of collectivisation claims that its great success so far lies in the enormous increase in the amount of land taken under cultivation. Statistics on this point have proved to be open to question, however. For the year 1929–30 it was proudly announced that the amount of land under cultivation had increased from 118 million hectares in the previous year to 129 million hectares, but a later estimate put the figure at only 122 million hectares. It now remains to be seen whether the figures for 1930–31—136 million hectares—will not also need correction. It needs to be stressed that every sowing campaign since the autumn of 1929 has set in much later and that the

actual sowed area has undergone a reduction since 1927. Like all economic activity in the Soviet Union, cultivation of the soil is submitted to the pressure of unattainable plan figures: the consequence is a pursuit of quantity at the cost of quality.

Though, as has been said, figures with regard to the increase in the area under cultivation are open to question, it is a fact that some of the technical cultures, such as beetroot, cotton and flax, aided by the process of industrialisation and the State trading monopoly, have experienced a significant extension. But the value of this extension is somewhat offset by the fact that it does not bear the character of an organic growth: there is no adequate relationship between the available personnel and the agricultural plant for carrying out the sowing, harvesting and transport of the products and the extension of the cultivated area.

Devastating has been the effect of the policy of collectivisation upon the total amount of live-stock: some indication of the true feelings of the peasants was given in the way they looked upon their cattle when driven into the collectives in the winter of 1930; mass slaughtering and even senseless destruction, merely to prevent the collectives from laying claim to them, eventually led to such a reduction of live-stock that the position became exceedingly grave. According to official statistics the number of oxen was reduced from 67·2 million in 1929 to 53·8 million in 1930, the number of sheep from 134 million to 100·6 million, pigs from 20·5 million to 13·2 million. According to several reports from the cattle-rearing districts the actual decrease was even more serious. This irrational slaughtering was a concomitant of the collectivisation campaign that had been going on. The Soviets hoped to counteract this by an intensified development of stock-breeding in the socialised sector. Here, too, a distinction has to be drawn between State farms and the collectives. There are huge State-controlled cattle-rearing organisations for supplying the population with meat and milk,

huge State sheep farms, pig farms and poultry farms. Collectivised cattle-rearing has been making some headway in the artels since 1930, especially in certain artels that have been allowed to retain their stock of milking-cows. There are likewise artels that are achieving some success with the rearing of sheep, pigs and poultry. The number of cattle-rearing farms organised as artels and embracing the cattle owned by the individual members exceeded 50,000 at the beginning of 1932, in which year it is hoped to increase the number to about 120,000. Socialised cattle-farming in Russia has undoubted chances of success. Big units run co-operatively under proper management would have an educative effect provided they were based on voluntary collaboration and allowed an organic growth. But compulsion and over-hasty action applied by the Soviets have led to fatal results. Until recently the Soviets did seem to be progressing from one triumph to another in the sphere of socialised cattle-farming: it was pointed out with much pride that millions of animals had been reared on socialised farms. At the beginning of 1932 the number of cattle was as follows:

| | In State-run cattle farms. | In collectivised cattle farms. |
|---|---|---|
| Oxen . . . . | 3,236,600 | 3,768,400 |
| Pigs . . . . | 1,597,000 | 2,115,300 |
| Sheep . . . | 5,210,800 | 4,203,800 |
| Poultry . . . | 1,150,000 | 5,930,000 |

No mention is made of the fact that, in the main, this stock of cattle was either purchased from the peasants or taken away from them in punishment for their infringement of the statutes of the artel. Nevertheless, the increasing gravity of the food supply position taught the Soviets a lesson. A manifesto issued on April 1st, 1932, severely scolds the State farms for running their business in an unprofitable and disorderly fashion, while a decree of the Communist Party, issued

March 26th, 1932, prohibits all further confiscation of the cattle belonging to individual members of the artel. It also calls for a decrease in the acreage of the State farms, thereby putting an end to the " Giantomania " that prevailed in the early history of these State cattle farms, just as in the case of the Corn Trust.

The prospects of growth by natural processes in both socialised and individual cattle-farming are very discouraging. In the socialised farms a good deal of the blame must be put down to bad management and to the indifference of the personnel. The appalling condition of the supply of food-stuff to the rural population represents an obstacle in the way of rearing new reserves of live-stock. The State compels the farms to produce ever greater quantities of products, regardless of the fact that both crops and reserves of live-stock are diminishing. In the two years since 1930 there has been an open, as well as a veiled, struggle as a result. Of the total grain harvest of the year 1931 the rural population was allocated only 550 million double hundredweights, whilst in the year 1927–28, when the rural population was smaller by 7 million, its portion was 658 million, and the Five-Year Plan promised 838 million for the concluding year 1932–33. The position is aggravated by the shortage of flour in the villages, making the food scarcity all the harder to bear. Under these circumstances there is little inclination on the part of the peasants to rear new stock : the famine would only necessitate its slaughter despite all State vetoes. There is no longer any doubt that the total amount of live-stock owned by the peasants underwent a further considerable reduction last winter. Worst of all is the position of the horses. The number of farm horses was reduced to 21·3 million in 1930, as against 23·3 million in the previous year.

The individual peasant's farm can contribute very little to the supply of the urban population, despite the enormous prices now obtainable in the open market. The provisioning of the towns with meat, butter, eggs,

etc., has to be done chiefly by the socialised sector. The Plan figures for 1932 have only modest promises to make in this respect, however. The State farms and collectivised units are to deliver 344,200 tons of meat and 1,923,000 tons of milk. On the other hand, the Five-Year Plan puts the marketable output of Russian agriculture for the concluding year 1932–33 at 2,410,000 tons of meat and 12,180,000 tons of milk. From the State-controlled sector only 14 per cent or, at most, 16 per cent of these quantities is expected. The fulfilment of the Plan is open to considerable doubt; in 1931, for example, the Skotovod delivered only 69 per cent of its planned meat supply.

The problem of provisioning the urban population is thus pretty serious, and everything points to a worsening of the situation. But conditions are far more tragic in the rural districts. Most of the rural population is suffering from the effects of under-nourishment, and in many parts of the Union a famine has broken out. In 1930, vast numbers of industrial workers and miners returned to their villages owing to the poor food, thus creating a shortage of labour in the towns and industrial centres, but the position is now reversed. Railroad stations and country roads are crowded with peasants fleeing into the towns from the famine reigning throughout the countryside. In vain they attempt to get bread and work in the towns. In contrast to the slow and encumbered progress of Russian agriculture during the period of the New Economic Policy, Stalin's policy of socialisation has cast the shadow of distress over town and countryside.

NOTE.—Several decrees promulgated recently by the Soviet Government point to a modification of its policy of enforcing the peasants to enter the collectives. At the beginning of May 1932 it was ascertained that the planted area was considerably less than in the previous year, and that consequently the position created by the dearth of food-stuffs had become still more grave. The Government hoped to be able to induce the peasants to increase

their sowings. To this end, a decree promulgated on May 4th made a reduction in the agricultural tax, while two days later it was officially announced that the quotas of farm products demanded by the State had likewise been reduced. The total amount of grain to be collected by the State during the year 1932 is 1,103 million pounds as against 1,367 million pounds in 1931. On the other hand, the State farms are under compulsion to deliver to the State 151 million pounds as against 108 millions in the previous year. The number of cattle to be handed over to the State is reduced by half, but in the case of the State farms it is increased by half. Furthermore, the peasants are now permitted to sell their products on the open market. Marketing operations on these lines, setting up direct connection between the peasants and the buying public, are to be furthered as much as possible and may be based on prices created by market conditions. Although it is particularly stressed in the decree that private dealers will not be allowed to participate, it is doubtful whether these concessions, made as a result of the dearth of foodstuffs, can be carried out without giving rise to private trading. And yet Soviet Russia is far from returning to private capitalism. The general principles of the Party are still being strictly adhered to. The only change is in the possibilities of applying these principles. In this respect, Soviet Russia is a "land of unlimited possibilities."

# VII

# MONEY, CREDIT AND BANKING

By Malcolm Campbell

(Correspondent of the *New York Herald*)

# VII

## MONEY, CREDIT AND BANKING

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" As I foresee it, after our victory has swept throughout the world, we shall make use of all the gold to erect lavatories in the streets of the world's principal cities." Certain it is that when Lenin gave utterance to this piece of irony in the early days of the Revolution, he was thinking of gold as the symbol for money and the domination of money in private capitalism.

Lenin's views on this point, so typical of his general philosophy, views that would probably still be endorsed by most socialists, have not undergone any modification as a result of the manner in which developments in the Soviet Union have influenced our ideas concerning the future of money, credit and banking. But an economic policy which sets out to transform society will soon find itself facing the necessity of making concessions. That is what has happened in Russia. The Soviet leaders found it necessary to make use of capitalist forms of economy. Their greatest difficulty has been to make them fit in with their notions of a rationalised conduct of economic life.

Much has happened in the U.S.S.R. during the last few years to focus attention upon the Soviet system of accounting and their method of controlling financial operations. Renewed interest has been aroused in conjunction with recent endeavours to effect a more rational conduct of business and a more rational accumulation of capital. A decision of the Party Conference in

February 1932 " stresses the anti-Bolshevik character of the ' leftist ' jargon when they speak of a transition to an ' exchange in kind ' and the ' fading out of money ' at this early stage of Socialist integration." This was put in plainer terms when the Commissary for Finance proceeded to explain that " the whole idea of a more efficient conduct of business and improved financing is to get all the units of production instructed in the socialistic system of book-keeping; this will prepare the way for the introduction of the machinery that is to replace money when, in consequence of the success achieved by our socialistic construction, the moment shall have arrived for it to be handed over to the museums. But in order that this might occur at the earliest possible date, we need to devote all our efforts to strengthening our monetary system and our finance. The dialectic of our progress lies in the fact that the sooner we organise our present monetary system on a sound basis, and the more we do to stabilise our chervonetz, the sooner will the work of building up the socialistic society be accomplished and the sooner will it be possible to throw our inheritance into the scrap-bag of history."

It is interesting to observe how the policy of the Communist Party with respect to money, credit and banking oscillates between the poles of negation and affirmation. Hence the ups and downs in the growth of these institutions in the Soviet State.

Two main trends are discernible in the attitude adopted by nineteenth-century socialism towards the problem of money, particularly as regards the future of money. There are the older views first expressed by the Englishmen Gray and Bray, and later on formulated by Robert Owen and his disciple, Warren. In France, this school of thought was represented by Proudhon, in Germany by Rodbertus. The basic idea underlying this outlook is the right of the individual to the entire proceeds of his labour. That commodities are not exchanged in accordance with their labour

value is regarded as the outstanding defect of the present system of marketing, which has therefore to be replaced by socialist economy. To this end, a reform of the monetary system would have to be effected by issuing a kind of labour token on the basis of the amount of labour expended on the production of the commodities, these tokens to be calculated in terms of working hours.

The other trend, whose chief advocates were Marx and Engels, aims at the socialisation of economy on a broad technical basis with the aid of big units of production. The proceeds of the labour of the individual worker cannot be isolated from the production considered as a whole. "From everyone according to his ability, to everyone according to his needs." There is no such thing as an exchange of commodities, but only distribution of the proceeds arising out of the entire volume of production. This does not necessarily entail the use of money tokens; consequently, under socialism, money would be eliminated. In this connection it is interesting to note that arguments were advanced against the right to the entire proceeds of labour: Marx versus Proudhon, Engels versus Rodbertus. But Marx and Engels investigated money as a phenomenon of capitalism and, unlike the earlier socialists, put forward no concrete proposals for building up the communal economy of the future.

The views of the Soviet Union lie somewhere between these two tendencies, and its fundamental position with respect to money is apt to change as one or the other finds favour. When the currency collapsed during the period of militant Communism some of the Soviet leaders began to dally with the suggestion that a complete devaluation of the rouble should be allowed to lead up to the disappearance of money as such.[1]

[1] Solkolnikov, one of the cleverest Soviet financiers, wrote shortly after the termination of the period of militant Communism: "Every new emission of billions of rouble notes increased the belief in the approaching happy end of the monetary system (such a consummation is sufficient reason

Ideas were put forward and discussed in Government circles as to what should take the place of money tokens. Some of these projects were even gone into by officials in the Commissariat for Finance. Then it was that Strumilin, a staunch party man and an outstanding economist, and Professor Chanjanov came out with their interesting proposals.

It is worth noting that practically all the proposals that have been made in Soviet Russia for the eventual abolition of the mechanism of money have been taken, not from the pages of Marx, but from the theories of the older school of socialists. Strumilin's plan consists in the introduction of a method of reckoning the hours of work done, which would then provide the basis for a free distribution of consumption goods. Rationing by the card system is rejected. "This product of militarism and distress must sooner or later be replaced by a free selection of consumption goods." Here is his main proposal: "Let us suppose that everyone gets a provision book in which is entered the credit granted him every month on a certain number of labour units of value, representing his capacity. In the State-controlled stores, all the goods are marked in terms of the labour unit of value, so that everyone is entitled to purchase these goods to the extent of his credit." This is reminiscent of the "labour notes" that Owen put into circulation in 1832–34, except that, as Owen's workers were solely engaged in a handicraft trade, it was a comparatively easy matter to credit them with the goods they themselves produced.

As unit of value, Strumilin proposed the value of the product of a worker of the first wage category engaged on an average task with one hundred per cent efficiency. Other kinds of work would be estimated correspondingly higher or lower.

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to make the printing of so many notes worth while). But there is no longer any doubt that this theory was a kind of 'child of despair' that, quite mistakenly, tried to change despair into a 'Communist virtue.'"

This method of ascertaining the value of goods would have many features in common with the present system of fixing prices, particularly when it is remembered that it is calculated on differentiated labour. In fact, the two systems would be "as like as two drops of water," Strumilin contended. It offered the Soviet buying public freedom in the selection of goods.

One is reminded of Dostoievsky's cogent remarks about the rôle played by money in the liberation of humanity. In *Notes from a House of the Dead* there is that thought-provoking passage: "Money is minted freedom, which is the reason why it becomes ten times dearer to us when we are deprived of it. We have only to jingle money in our pocket to feel some sense of comfort, even if we know that we can't spend it . . . even if the State were to furnish us with all those things for which we need money to call our own—that is how the prison authorities look at the matter. . . . In his avaricious desire for money the jailbird works himself up into such a frenzy that he almost loses his senses, and yet, when, in paying for a round of drinks, he casts it from him as though it were a wooden chip, he is throwing the money after something he appraises a shade higher. What, then, does a prisoner value more than money? Freedom, or at least, an illusion of freedom."

It would be easy to believe that these thoughts, set down in the middle of the past century, were directly suggested by aspects of the money problem in the period of militant Communism.

Strumilin proposed that capital should not be asked to bear interest, although he added a rider to the effect that this would be quite possible in a socialistic economy and might, indeed, be the most practical course to adopt. In that case, interest would accrue to the benefit of society as a whole; its calculation would be of importance for the better management of economic affairs and with a view to the practical realisation of an adequate distribution of the amassed labour

values (capital) among the various branches of economy.

The plan put forward by Professor Chanjanov, whose considerable services to the State did not prevent him later on from being persecuted as an " injurious person," went much farther. Like the Viennese economist, Otto Neurath, he proposed that payments should be made in kind without any reckoning in values at all, an economy that would convert society into just one big peasant family.

During the period of militant Communism, more was done to pull down than to build up. The phrase coined by Bakunin, " the desire to destroy is at the same time a desire to create," can be aptly applied to this phase of the Revolution. The Communists themselves call it the " heroic period of the great Russian Revolution." On December 14th, 1917, a few weeks after the uprising, the banks were nationalised without compensation of any sort. It was first intended to concentrate all banking activities in the State Bank, the then People's Bank. Lenin believed that, with the big banks safely in the hands of the State, it would be easy to exercise control over the big industries and thereby over the foundations of economic life. What really happened was that the entire banking system was destroyed. Nationalisation of the major industries in the summer of 1918 met with no better success.

And yet these measures turned out to be of decisive significance, because they smashed the power of the possessing classes without which socialistic construction would not have been possible. The eclipse of money, credit and banking went on apace. The People's Bank closed its doors; currency emissions reached astronomical figures as the State made frantic efforts to cover its expenditure. It is interesting to observe in passing that, at this time, czarist rouble notes were specially printed for the benefit of Soviet diplomats abroad, where they were still considered good currency.

The New Economic Policy brought about big changes

in the sphere of money, credit and banking. It had its brighter aspects in the immediate increase in productivity and improvement of living conditions, but it conjured up the big danger that all further efforts to build up the socialist society would be encumbered by the revival of private capitalist tendencies.

The State Bank was reopened in November 1921, a step that was soon followed by a number of other State-managed banks: the Trading and Industrial Bank, the banks for Foreign Trade, for electrification, for agriculture, and the commune and co-operative banks. The credit institutions were established at the time of the restoration of bank credit in the years 1921–23; in their structure as well as in their functions and operations they are fashioned on the capitalist model.

The currency reform of 1922–24 was, in every way, exemplary. It was carried out with success and along lines that even a capitalist State could not improve upon. Of course, gold coins were not put into circulation, but there was a sort of gold exchange currency. In 1922 the State Bank began the issue of the chervonetz. A chervonetz is an ancient Russian gold coin. It is expressly stated on these bank-notes that they have the value of ten pre-war gold roubles (7·74 grams) and that they are covered to the extent of not less than 25 per cent by precious metals and by stable foreign currency at its exchange rate in gold. This issue was followed, in 1924, by an emission of Treasury notes in small units of 1·3 and 5 roubles. For the sake of precaution, these Treasury notes were brought into no direct relation of value with the chervonetz. It was originally intended that the total volume should not be in excess of half the volume of the chervonetz in circulation. As a matter of fact, the rate of 1 chervonetz to 10 Treasury rouble notes has been retained down to the present moment. At the same time, there were minted silver and copper coins to the value of 1 rouble, 50, 20, 15, 10 kopeks and 5, 3, 2, 1 kopeks and, later on, half a kopek. The old paper roubles were

redeemed at the rate of 1 to 50 billion. In March 1932, a decree gave the Treasury the right to mint nickel coins to the value of 10, 15 and 20 kopeks, since the Soviet citizens had taken to hoarding the silver coinage, a fact that was not mentioned in the decree as one of the reasons for this step.

Although the New Economic Policy left the "commanding heights of economic relations," that is, the big units of production, foreign trade and banking, still in the hands of the State, private economic units were able to increase their significance in trade and agriculture and, in part, to extend their field of activity. Money again started to function as capital, that is, as an instrument for the organisation and exploitation of labour by private initiative. In those days it even seemed doubtful whether it would be possible to go on with the work of building up the socialistic society. Had it not been for the lively propaganda conducted by the extremists, Soviet economics would have taken a different course of development. Private trading was suppressed by violent means, its banking establishments run on co-operative lines—the so-called Societies for Mutual Credit, of which 245 were in existence in 1926—were forcibly closed. This action culminated in the forced collectivisation of the peasants.

In State-controlled banking and credit, this change of policy found its final and most decisive expression in the credit reform of January 1930, which, unfortunately, as the Commissary for Finance publicly admitted in April 1931, "gave results in diametrical opposition to the aims of this reform to the serious detriment of national economy." The mechanism of banking and credit operations is invariably complicated. It is a simple matter to run a kulak out of the village and confiscate his farm; but to wipe credit organisations out of existence and then reorganise the country's finances is a work calling for special knowledge and capabilities.

As the credit reform was to be brought into harmony with the "general line pursued by the Party," it

needed the unreserved approval of everybody. As in other fields of Soviet activity, criticism of the basic idea was not allowed, nor was it permissible to express misgivings as to the manner in which the idea was to find practical realisation. Cases of this kind only serve to expose the objectionable Soviet practice of insisting on the Party standpoint in the face of all independent opinion, even in matters demanding expert knowledge. Socialistic construction is greatly encumbered by a "proletarian dictatorship" interpreted in this fashion.

On the assumption that the Soviets considered the problem of banking and credit to be a fundamental issue when they first began to regard it from the point of view of planned and communal economy, it must be admitted, that though they may have acted prematurely, they proceeded logically when, under militant Communism, they converted the People's Bank into a central budget clearing-house under the control of the Commissariat for Finance. Undoubtedly, they were simply making a virtue of necessity, since the bank had no further functions to perform and had to close its doors. This makes it easier to accept the further assumption that in a fully-fledged socialised society, where the entire economy belongs to the community and where there is planned production and distribution, there will be no place for credit operations of any kind. On this point, Marx says: "Inasmuch as the means of production have ceased to transform themselves into capital (which presupposes the necessity for the abolition of private ownership of land and property), then credit has no longer any further justification for its existence, a point that even the Saint Simonists well understood."

Even the efficient conduct of business, which, since Stalin's advocacy of it over a year ago, is still regarded as gospel truth in these matters, is not altogether in keeping with the pure idea of economic planning, as is apparent from a study of his famous six conditions. When everything is foreseen, planned and calculated

down to the minutest detail, there is not much point in placing a lot of emphasis on the virtue of saving one's pennies. The fact is, the Russian example shows that even State economy needs a credit organisation and a banking system, at least in the phase through which the Soviet Union is now passing.

When the New Economic Policy was left by the wayside,[1] about the time of the inauguration of the Five-Year Plan, all credit establishments and credit operations were firmly in the hands of the State. Loans to private enterprise could still be granted in the sphere of the agricultural industry, but this practice of granting private credits fell off considerably after the collectivisation of the peasants. Internal loans and savings banks continued to be the form in which the State looked to the public to provide it with the means for capital investments.

Practically all the economic functions of the State do their own accounting and keep independent balance-sheets. They appear in the State budget as tax-payers. Moreover, they have to make over part of their earnings to the State.

In the domain of State economics, that is, in the relations between the State banking institutions and the other State and co-operative undertakings, two forms of credit appear to be the general rule: short-term loans to industry and trade, and long-term loans to assist building, transportation and agriculture.

A first effort on the part of the State Bank to establish itself as the central financing body and, eventually, as the sole financial institution, was made during the period of the New Economic Policy. Just at that time, however, the other banks were able to take over many former clients of the State Bank. There was also a move on foot to reorganise the State Bank as a Bankers'

[1] Officially, the present epoch is regarded as the final phase of the New Economic Policy. This is misleading. A better name for it would be "Neonep," or simply, "Period of State Socialism."

Bank: it was to conduct loan operations through the channels of the other big banks. The policy of the State Bank itself, on the other hand, was directed, logically enough, to building up its network of branches with the object of eliminating the other banks. Support for this action was found in Lenin's dictum that "the one and biggest of all banks—the State Bank with branches in every national department, in every factory—should be nine-tenths of the socialistic apparatus."

The middle of 1927 saw the first reform designed to put an end to the activities of special banks in financing certain branches of industry and business, and to extend the scope of the State Bank. In the following year, the Industry and Electro-Bank was merged with the Bank for Long-term Loans, which still carries on business to-day. Its short-term business was taken over by the State Bank.

Just about this time, too, another measure achieved practical realisation. The network of bureaus of the Commissariat for Finance was merged with the local branches of the State Bank. All Budget revenue and expenditure was supervised by the State Bank. In this way, all the independent budgetary operations were taken over, and even every instance of non-fulfilment of the State financial plans was immediately registered by the State Bank. The State Bank likewise opened up agencies with the industrial and trading associations, which were thus able to make and receive payments in cash and do their own book-keeping. Something similar was carried out in the railroad industry and in the agricultural industry, thus helping to maintain a healthy circulation of money. This species of nationalisation and unification in the domain of money and credit was put on a much healthier basis than the enforced credit reform of the year 1930.

An important aspect of banking and credit in the Soviet Union is the amount of attention devoted to the problem of the moneyless commercial transaction, a

form of accounting introduced in the early days of the Revolution. Figures for the last few years reveal that settlement of accounts without resort to legal tender is becoming more and more the general rule; thus, in 1926–27, 48 per cent of all transactions were settled in this way; in 1929–30, it had increased to 61 per cent, while, according to plan, it was 67 per cent in 1930–31. In the Russian State-controlled economy, the possibilities in this direction are naturally very considerable. All the State undertakings, particularly in their dealings with one another, are able to reduce their system of accounts to a matter of book-keeping, after the fashion of the internal management of capitalist syndicates and trusts. This is a point that needs to be borne in mind when considering the amount of currency in circulation.

Planned credit is still very much in its problematic stage in the Soviet Union. Even the most ardent advocate of planned credit is willing to admit that herein lies the most difficult aspect of economic planning. Credit can be regarded as the uppermost part of the industrial structure, banded together with all the lower parts but possessing the least solid framework. An estimate for 1931 of the loans to be granted to industry by the State Bank was put at 3,084 million roubles, inclusive of the sums to be advanced in accordance with the newly-introduced acceptance form of accounting. In actual practice, the total volume of credit that had to be granted during this year was 4,760 million roubles. Obviously, planned credit is defeating its real purpose if results are close on 55 per cent in excess of the estimates.

When it came to drawing up the one-year plan of control figures, many experts argued against the setting up of yearly credit plans, expressing themselves in favour of quarter-year plans. As credit is in reality only a derivative phenomenon, probably it can be effectively planned only when it loses this essential characteristic. In setting up the Five-Year Plan, the then director of the financial section of the Gosplan,

M. Bogolepov, a very shrewd financial authority who was later removed from office, advocated the idea of a restricted credit planning. He proposed to appraise only the balance-sheet of the various accounts without reference to the details of the turnover. But even this cautious approach was of no avail: his calculations wound up with an additional creation of money to the total amount of from 950 to 1,250 million roubles for the entire five-year period. And what happened? A new emission of 1,600 million roubles had to be effected in 1930 alone, the second year of the five-year period.

Then came the credit reform of 1930. Its real purpose was to carry out a rationalisation of the credit system with a view to improved credit planning. Although the work of giving practical realisation to the reform has not yet terminated, it can already be said that it marks a turning-point in the development of money, credit and banking in the Soviet Union. What is more, it marks the turning-point in Soviet business management.

At the time when the old industrial concerns were allowed to resume operations and when the pre-war productivity was practically attained, the Soviet leaders believed that, with the inauguration of the second phase of the so-called reconstruction period, they would be able to launch out along new paths in their handling of credit.

The main purpose of the law of January 30th was to define the new forms for the regulation of the financing of industry and trade by means of credit operations. It also provided for the reorganisation of the system of agricultural and co-operative credit.

Loan operations based on goods and bills of exchange were replaced by direct bank credit. Prior to this, the procedure was the same as under private capitalism. The buyer took out a bill of exchange which was discounted in the State Bank by the seller, in the majority of cases, the industrial concern. In other words, the loan was granted not to the buyer but to the seller. In

the Soviet Union, capital is not a commodity that flows from private sources into the bank, thence to be directed back into the national economy; it is accumulated by the State and distributed according to plan. This in itself is reason enough to explain the desire for a simplified credit business. Commodities are to be paid for in cash, and should the buyer not be able to do so, he has to get a loan direct from the bank. Consequently, the seller needs no intermediary and the practice of using bills of exchange can be dispensed with. Credit has to follow the commodity as it pursues its planned progress from raw material down to the lowliest unit in the apparatus of distribution. According to the comments of the State Bank, it is expected that " in this way it will be possible to achieve not only a rationalisation of the credit business but also a rationalisation of the technique of commercial relations." All relations between the bank and the individual clients are to be developed along lines of a " unified current account " in which are entered all items of revenue and expenditure.

Provision for and acceptance of credit between industrial and trading undertakings are prohibited. The bank alone is empowered to grant credit. The transition from private economic loans to the financing of production and the turnover of goods is to be effected by the bank. The State Bank thereby loses its position as an institute for trading in money and capital and becomes a central clearing house for the national economy. During the period of the New Economic Policy it not infrequently occurred that industry undertook to market its products by means of commodity loans. Conjunctive factors similar to those known to capitalism have also played a part in the development of the Soviet credit system. After economic planning had been advanced a stage further, aided by the fact that commodity hunger and inflation signs made it easy for the producers to market their products, it was generally believed that the moment had arrived for

bestowing upon the credit system its higher function within the sphere of planned economy. Henceforth, loans to individual bank clients were on the basis of the specific economic plans set down for each unit of production and State undertaking.

Such were the main ideas of the credit reform. But within the course of a year, a number of laws had to be passed "to do away with the inconsistencies encountered in the practical realisation of the credit reform." This official statement means simply that the entire blame for any failure of the credit reform is to be placed upon the shoulders of those who have to make it operative, and not upon the law-givers. "The man at the points is to blame," used to be a familiar saying in old Russia when a breakdown of the "system" led to a catastrophe.

It is interesting to note that after the reform had been in operation for six months, the necessary adjustments had to be made progressively, by decrees enacted on January 14th, March 20th and 29th, June 23rd and October 31st, 1931, so as to adapt the main ideas of the reform to the opportunities presented by the growth of economic life.

What was the principal defect of the credit reform? To all events and purposes, it abolished credit. "The baby has been emptied out with the bath-water," as the saying is. The procedure adopted—and there was nothing in the law to prevent it—was that the bank handed out to every unit of production the resources it considered requisite for the realisation of the economic plan. For instance, as soon as a factory had produced a certain amount of goods, the bill destined for the probable buying organisation was deposited with the bank and the sum credited to the factory's account, and automatically and simultaneously debited to the account of the buying organisation. Hard-headed business men can imagine the state of affairs arising out of this species of accounting. The buying organisation might find itself credited with goods it had never seen;

the "unified current account" would show entries made quite beyond the power of control of the responsible accountant. And no one would trouble about paying back to the bank the borrowed money.

As long as the old forms of credit still functioned, the undertakings were obliged to economise with their financial resources. There had to be close adherence to the economic plan, at the same time they had to work within the limits of the financial plan; debts had to be paid and bills redeemed. But from April 1st, 1930, onwards, the financial means were allotted "according to plan," that is, automatically. Right up to the moment when the reform started to operate, this was acclaimed as an achievement of socialism, but when the whole scheme failed to work it was regarded as a perversion. Certain it is that industrial leaders began to breathe more freely when financial operations were taken over by the banks. But the settling of accounts between buying and selling organisations became more and more complicated, and even the intermediary—the State Bank—found it impossible to bring system into the maze of current accounts.

Growth of economic planning presupposes a virtual reorganisation of the private capitalistic forms of credit. It means applying the formulæ of planned economy to credit operations. But in the Soviet Union, the credit reform created chaotic conditions, increasing the cost of production, restricting trade and diminishing profits. In a rider to one of the many injunctions issued at this time, it was established that "the new system of providing credit has not effected an increase of the 'control by means of the rouble' over the plans of production and accumulation in the socialised units of production, but, on the contrary, it has nullified the principles of business management and undermined the work of setting the finances in order." Again, in the dictatorial manner, the fault lies with those who have to make the scheme work, or with the "damage-workers." Slowly and surely, however, the belief is

beginning to prevail that, in this case, the fault lies with the law-maker. The fact is, the reorganisation of the credit system might very well have been carried through to success had it been backed up by expert guidance on the practical side.

The new enactments of 1931 somewhat eased the position. Credit may now be granted on the concrete results of planning. Undertakings, units of production and other State functions are directed to conclude agreements among themselves with regard to prices, delivery schedules and other factors. Apparently, up to now this had not been looked upon as the most natural thing to do in the conduct of business. The bank grants credit to the business world only on the basis of these agreements. Bills have to be "honoured" by the buying organisation.

In the "unified current account," a method that was done away with on November 1st, 1931, all the assets of a business concern were tabulated. From now on, a sharp distinction has to be drawn between working capital and the sums borrowed. A special decree of July 23rd, 1931, defined the position with regard to working capital. Credit planning consists principally in setting down "limits" for every undertaking, beyond which no further credit can be granted. As indicated by the reports of the last few months, the general confusion caused by the credit reform is far from being overcome. Business directors had become accustomed to the surplus of funds which the credit reform put in their way, ideas of economy were foreign to them and they had to learn how to set about the task of cheapening production. It was the same with the banks. They are just beginning to learn their lesson—"not to fight shy of money and not to hand out money without a murmur, automatically," to quote from a declaration issued by Marjassin, President of the Board of Directors of the State Bank.

At the time of the inauguration of the credit reform, the State Bank came out, in its "Economic Reports,"

with the following observation: "The capitalist bank grants—formally, at least—credit only to clients who appear worthy of confidence in the legal and physical sense. A Soviet bank is in a position to give 'confidence' to all those clients that are socialised undertakings, since their credit-worthiness is established beyond doubt by virtue of the functions they have to fulfil within the sphere of economic planning and by reason of the requisite funds which will be placed at their disposal for this purpose. An incapacity to pay, an insolvency of these undertakings is out of the question."

One year later, when the reform was showing results quite contrary to its intentions, we read, quoting from *Planovoe Khozyaistvo* for 1931: "Inasmuch as the credit reform is built up on the principle of complete mutual confidence in the field of the socialised sector, any violation of this principle from whatever quarter will lead to insurmountable complications." It is to be noted that such violations gave the bank the right to dispose of the goods of the defaulting State-controlled concern (law of March 20th, 1931). Concrete instances are known to have occurred already.

The credit reform had a retarding effect upon the development of Soviet finance. The uniform financial plan that had already become law and that set out to restore order on the financial side of centralised economic planning was discarded in 1932. The Commissary for Finance explained that "the experience of 1931 showed that the practical realisation of the uniform financial plan made it difficult to draw a sharp distinction between budgetary grants, State Bank loans and the financial resources of the economic organisations themselves. The plan made it difficult to impress upon the economic units of production how imperative it is for them to assume full responsibility for their own financial resources and the sums lent them." It is essential for the understanding of this explanation to consider it in connection with the effects of the credit reform.

And now a few words about the Soviet credit system.

Financial operations in the Soviet Union are conducted by the following banks:

*The State Bank.* As an institute of emission and for granting short-term loans, sole authority is vested in the State Bank, which at the end of 1931 maintained 2,500 branches throughout the U.S.S.R. According to the statute of June 12th, 1929, it is no longer a department of the Commissariat for Finance but an independent institution.

*The Zekom Bank.* This central bank is an institute for financing communal (*i.e.* municipal) economy. It has a network of close on 110 provincial branches. In the summer of 1930 it was entrusted with the task of financing the entire housing operations throughout the Union.

*The Co-operative and Collective Economy Bank.* Coincident with the passing of the credit reform, the Agricultural Bank was reorganised to form, together with its 2,000 branches, the Co-operative and Collective Economy Bank; since 1931 the entire establishment is affiliated to the State Bank.

Four *Long-Term Credits Banks* were established by the enactment of May 5th, 1932: the Long-Term Credits Bank for Industry, the Long-Term Credits Bank for Agriculture, the Long-Term Credits Bank for Co-operatives, and the Long-Term Credits Bank for Communal Economy and Housing. They are not credit institutions in the true sense of the word, but they transact operations connected with the budgetary allocations for new constructions and control the application of these funds.

*The Savings Bank.* Great care has been devoted to the organisation of the Savings Bank, which has now upwards of 50,000 branches. Depositors total approximately 13 million and deposits now exceed 750 million roubles. Of this sum about two-thirds represent the savings of individual clients. Prior to the war, there

were 7,500 depositors, and the amount of deposits totalled 1,400,000 gold roubles.

Furthermore, the Soviet State owns several banks abroad which function as private establishments. There are, for instance, the *Moscow Narodny Bank* and the *Bank for Russian Trade* in London, *Garantie und Kreditbank für den Osten* in Berlin, *Banque Commerciale pour l'Europe du Nord* in Paris, and a bank in each of the three capitals, Stockholm, Copenhagen and Riga. They function in conjunction with the Soviet trade delegations. Since 1930, settlement of accounts is conducted in a way that enables the Soviet economy to dispense with foreign currency.

There is no issuing of shares, or holding of stock, in the sense understood in capitalist countries, and transactions in foreign securities are strictly forbidden. The only bonds that can be bought and sold " for the sake of the State finance " are the internal loans. These have undergone a remarkable development. The first issues were the two Grain Funds and the Sugar Fund, which were really premature tax payments extracted from the peasantry. To-day, practically the only type of State loan is the lottery loan. The first of these had much in common with the loans of pre-revolutionary times. Anybody can subscribe to these loans and the public finds them very attractive. An attempt was made in the days of the New Economic Policy to get these issues regarded as thoroughgoing securities. It was hoped that they would be duly quoted on the stock market and circulate freely. Up to the inauguration of the Five-Year Plan various bonds of this sort had been issued to the total nominal value of approximately three billion roubles. At that time the national debt amounted to 1,422 million roubles, about half of which was owing to the subscribing public. In the budgetary revenue, loan emissions constituted 10 per cent of the total income, a factor of some considerable significance. With the issuing of industrialisation bonds repayable in ten years and bearing 6 per cent interest plus 6 per

cent on winning numbers, a start was made in August 1927 in getting the general public to subscribe to State loans. A remarkable feature of these lottery loans is the large percentage of winning numbers; prizes vary from 100 to 5,000 roubles. In a recent issue every subscriber was given full assurance that his number would win at least one prize within the ten-year period; the total number of subscribers to-day exceeds 33 million. These issues alone have increased the national debt by 3 billion roubles (50 per cent by mass subscription). It is said that the public is only morally constrained to subscribe to these loans, as in the case of war loans, but this is not so. As the Russians say, *Dobrovolno ponevolo*—voluntarily against one's will. Holders of bonds are not allowed to sell them.

The rate of interest of the first peasant loans was 45·2 per cent; it was lowered, until to-day it is only 10 per cent. In the other spheres of the socialised sector interest plays a subordinate rôle, but loans between individuals bear a very high rate of interest.

Latterly, the position of the currency has been greatly jeopardised, mainly as the outcome of the credit reform.

The chervonetz is a specifically domestic currency. Subsequent to the currency reform, attempts were made in 1925 to get Soviet notes quoted abroad, but without success. As the official Moscow quotation was kept as close as possible to parity and the unofficial quotations abroad had slumped considerably, a speculation was set afoot in the exchange of rouble notes for foreign currency, so that the Russians saw themselves obliged to adopt drastic measures. On July 9th, 1926, the export of Soviet money was entirely forbidden, and shortly afterwards the import also. The nominal value of the rouble as against foreign currency has been maintained. All settlements of accounts within the State have to be made on the basis of this nominal value; settlements with foreign firms only on the basis of foreign currency. Private individuals can obtain

foreign money in exchange for roubles only in exceptional cases.

The volume of the emission of Treasury notes, originally intended not to exceed 50 per cent of the volume of chervonetzi in circulation, was increased to 75 per cent owing to difficulties of emission. Since 1930 the amount of the issue has reached 100 per cent of the volume of chervonetzi in circulation.

The following table shows the amount (in million gold roubles) of currency in circulation in the years subsequent to the inauguration of the Five-Year Plan :

| | Bank-notes. | Treasury currency. | Coin. | Total. |
|---|---|---|---|---|
| October 1st, 1928 . | 1,063·4 | 710·8 | 196·6 | 1,970·8 |
| October 1st, 1929 . | 1,428·2 | 983·4 | 230·6 | 2,642·2 |
| October 1st, 1930 . | 2,130·3 | 1,859·1 | 274·5 | 4,263·9 |
| January 1st, 1931 . | 2,100·4 | 1,977·7 | 277·1 | 4,355·2 |
| October 1st, 1931 . | 2,527·2 | 2,338·9 | 306·4 | 5,172·5 |
| January 1st, 1932 . | 2,784·4 | 2,557·5 | 311·4 | 5,653·3 |
| June 1st, 1932 . | 2,766·8 | 2,687·9 | 311·8 | 5,786·5 |
| July 1st, 1932 . | 2,925·5 | — | — | — |

The following table shows the estimated and actual increase (in million gold roubles) of the total amount of currency in circulation :

| | Estimated increase. | Actual increase. |
|---|---|---|
| 1927–28 . . | 200 | 342·5 |
| 1928–29 . . | 200 | 671·4 |
| 1929–30 . . | 415 | 1,621·7 |
| 1930–31 . . | 1,500[1] | 908·6 |
| 1932 . . . | 500[2] | — |

[1] Intended as 1931 budget reserve, but it did not materialise.
[2] Budget reserve.

As indicated above, the estimates of the Five-Year Plan in respect to the emissions have been multiplied many times. The disastrous effects of the credit reform stand forth here in all their significance. The

biggest volume of new emissions occurred just in those months when the credit reform first became operative, that is, from April to October, when close on 1,400 million roubles were put into circulation, as against the 415 million planned for the entire year. Though not immediately recognising the cause of this inflationary creation of money, the Soviet leaders decided to take measures to prevent new emissions in the special quarter-year October to November 1930 by adopting a policy of rigorous economy and deflation. As a matter of fact, there occurred no further issues of notes in these three months. But how did they manage this? Commissary Grinko explained the position when he declared, "When it came to carrying out this financial manœuvre, we found ourselves up against a fact we had overlooked: our indebtedness arising out of the payment of wages. At bottom, it represents an advance made to us by the workers, an advance we feel we have a right to demand. But in this case the economic machinery has got beyond our control and our powers will be tested to the full in this field."

So that we can all agree with Commissary Grinko when, at the last session of the Central Executive Committee, he said that the "general position of the financial economy of the U.S.S.R. at the end of 1931 was substantially more favourable than at the end of 1930." But that the position of the currency was a source of anxiety to the Moscow financiers is shown by the price policy at the beginning of 1932.

It is plain from what we have already said that the Soviet monetary policy has all along shown signs of vacillation, with the exception of the first year subsequent to the inauguration of the currency reform. The Soviet financiers have often stated quite openly that money is tolerated only as a temporary concession, but throughout they have done nothing positive to try how far they can get along without money tokens. And now Kuibishev has promised the retention of money for the duration of the second five-year period. The

recorded investments, estimated at 150 billion roubles for the five ensuing years (the national revenue is to rise to 500 billion roubles in the course of the second Five-Year Plan), cannot possibly be realised without the retention of money as a method of reckoning. But these represent the only expenditure during the second five-year period. They are such tremendous amounts that it is possible to believe in their realisation only on the assumption that the Soviet financiers go on making new emissions. In other words, one can believe in them on the assumption that there will be a progressive decline of purchasing power.

Some confirmation of the view that the Soviet leaders are beginning to take their monetary problems more seriously, is contained in a recent decision of the Central Executive Committee. This decision foreshadows a better organisation of Soviet trade and the abolition of ration cards.

The promise given to the Russian public that eventually it will be possible to buy all consumption goods without restrictions of any kind, predicates a levelling of prices for rationed and uncontrolled marketable goods, and a stable currency. In spite of stable prices, inflation signs are springing more and more into the foreground. Last year, the so-called " commercial stores " were opened in which rationed goods can be obtained without restrictions, but at prices several times dearer. These goods remained scarce, and as the prices of rationed commodities have remained unaltered for several years, it has been found impossible to obtain sufficient quantities of surplus money. In order to increase the turnover of these " commercial stores " and to equalise prices, these freely-negotiable commodities underwent a price reduction of nearly 50 per cent at the end of 1931. Apparently this did not meet with the desired success, because an extraordinary new measure has now been devised. " In the last days of January (1932), the Soviet citizens were pursuing their normal life, suspecting nothing. Bent on satisfying

their daily needs, they queued up wherever there was anything to be had. Then, in the night of January 31st to February 1st, suddenly everyone learnt that all the rationed commodities had been increased in price. Food-stuffs had jumped from 25 to 75 per cent, cotton goods 209 per cent, footwear 40 to 45 per cent, articles of clothing 30 to 35 per cent."[1] For the working population and civil servants it meant that living had become dearer overnight by 30 to 45 roubles per person per month.

Will this tremendous rise in prices ease the financial position and restore equilibrium? From the point of view of the average Soviet citizen the situation is bad enough. Yet, possibly, the leaders have realised that such drastic measures are the only way of withdrawing from circulation large quantities of money that encumber the healthy development of economic life. At the same time, the prices of standardised and freely-purchasable goods will be made to conform; this will prepare the way for the abolition of the unpopular ration-card system.

Money, credit and banking in the Soviet Union are developing in the direction of socialism, just as is the entire economic life. But until something better is devised to take the place of money as an instrument for keeping accounts and registering the accumulation of capital, as a measure of labour values and an aid to the distribution of commodities, the Soviet leaders will be obliged to strengthen their monetary system and to see that it functions properly.

[1] It is not possible to corroborate this statement. A new 1932 edition of a Soviet statistical year-book, *Narodnoe Khozyaistvo*, has recently been brought out after a long interval. It is characteristic that it contains nothing about the position of the rouble, nothing about note emissions, price indices or the purchasing power of the rouble. Some idea must be had of the amount of money in circulation, however! Even an inflation is amenable to centralised planning. It was Lenin himself who said that socialism is purely a matter of statistics, and he was against every form of "secret diplomacy."

In the pursuit of their ultimate objectives, the Soviet leaders will see themselves compelled to deprive money, credit and banking of those negative aspects which so characterise their functions under private capitalism. This will have to be done with expert knowledge and much patience. Cleansed in this way, they will be able to contribute much towards the building up of the socialist society.

# VIII

# STATE FINANCE

By Dr. Gerhard Dobbert
(Berlin and Rome)

## VIII

### STATE FINANCE

By Dr. Gerhard Dobbert

*(Berlin and Rome)*

Every State administration of finance is based upon the assumption that the State will look to national economy to furnish it with the means of attaining its specific objectives. Inasmuch as these resources are not supplied by State-controlled industries or by State loans, they are obtained through taxation imposed, by virtue of its financial sovereignty, upon privately-owned enterprises. With its vast number of private industries, the capitalist State plays only a relatively subordinate rôle as entrepreneur, but it is a characteristic sign of the times that everywhere, even in capitalist countries, the initiative of the State in industrial and commercial matters is making its influence felt to an ever-increasing degree within the compass of the entire national economy.

In the socialist State, all the means of production are collectivised, that is, they are regarded as belonging to the entire nation. Hence, national economy and State economy become interchangeable terms, since "private" economy is entirely replaced by "public" economy.

It is towards the attainment of this ultimate objective of the homogeneous socialist State that the Soviet Union is striving. The transition from capitalism to socialism is taking place within the present framework of State capitalism. To-day the U.S.S.R. is "a State in transition," and consequently its economic life

shows both capitalist and socialist features. This duality is particularly apparent in the Soviet Union's financial system as it exists at the present moment. It follows, then, that the part played in the Soviet Union by State finance has much in common with the part played by national finance in capitalist countries, all the more so because State economy in the U.S.S.R. is still confronted with a private economic sector.

This really implies that the disappearance of the last remnant of capitalism will coincide with the disappearance of State administration of finance. That is no doubt what the People's Commissary for Finance had in mind when, as far back as 1918, he declared that in the socialised society there will be no need for a financial system at all and publicly excused himself for appearing in the rôle of director of financial operations in Communist Russia.

Yet the fact remains that the steady growth in the socialisation of economic life in Soviet Russia has tended to give the State more and more control over the country's finances. Russia's progress towards industrialisation has enabled the State to extend its control over the economic life. In the first place, it helped the State to drive private enterprise from the "commanding heights" gained at the time of the introduction of the New Economic Policy; secondly, it has strengthened the position of the socialised sector. Thus, to an ever-increasing degree, the Soviet State economy is becoming identical with the national economy. Nevertheless, this Soviet economy is not the moneyless economy of socialist ideals—not yet, at least—but a kind of State capitalism in which methods and relations appear in very much the same form as under capitalism.

A system of State finance operating quite above and beyond the realm of national economy as in "the Bolshevist state in transition" is also conceivable in a fully-fledged socialist State. After all, the economic organism remains the same, whether one refers to it as

the State or as Society, but in principle, from the point of view of its organisatorial structure, a distinction can be drawn between the State as entrepreneur and the State as the sovereign authority entrusted with the work of administration. The fact is, that when the commercial activities of the Soviet State were placed on an independent basis at the time of the inauguration of the New Economic Policy and adjusted to capitalistic ideas, State capitalism was legalised in the Soviet Union and the basis laid for the present system of State administration of finance.

Now the administration of a nation's finances is closely connected with the development of its economic life. This is particularly so where the State appears in the rôle of the big capitalist and claims for itself full executive powers, and consequently where the relations between national economy and finance are primarily governed by the State. The structure of the Soviet finance administration, as well as the trend and contents of the Soviet financial policy, supply the key to an understanding of the prevailing phase in the development of the Soviet system of economics. This development aims at a constant expansion of the collectivised sector of the national economy at the cost of the private economic sector. It demands that the forced productivity should fall exclusively to the benefit of the collectivised sector. The function which Soviet finance has to perform is to help in guiding this process of development in the direction of complete socialism. To this end, the State strives to obtain control over the greatest possible part of the national revenue with the purpose of financing its industrial activities. Financial policy thus becomes a thoroughly effective device for the attainment of economic objectives; also for the realisation of social and political aims. The converse of the capitalist assumption that the State should cover its financial needs in the first instance by means of revenue extracted from private enterprises in the form of taxation is the Soviet pro-

position that the State should take its requirements in an ever-increasing degree from the expanding collectivised sector of its economy. The Soviet says that, in principle, it makes little difference what methods it employs to extract purchasing power, that it is merely a question of technical practicability whether it collects its resources from the earnings of the State industries by taxing them or by compelling them to loan money to the State. Likewise, in principle, it is all the same in what way it takes purchasing power away from the populace, whether by direct action in the form of a tax imposition or indirectly in the form of a regulation of the prices of the collectivised production.

In principle, no limits are imposed to the powers of the Soviet State as the supreme authority. (This is the antithesis of the doctrine of liberalism, which rejects the idea of State interference in private and economic life.) It is quite in the nature of the system that it should extend its powers progressively until it has subjected the entire economic, political and social life to State control. As, according to Bolshevist theory, political and social development is determined by economics, the domain of economy becomes the most important arena of the struggle where the fortunes of battle have their inevitable political and social reactions. It is therefore patent that the Soviet rulers must endeavour to extract from the national economy, in its State-controlled sector and in its private sector, the highest possible quotas of national income in order to build up socialism by way of economic integration carried out in accordance with the plans approved by the Communist Party, that is, with due regard to the Party standpoint. In contradistinction to the *budgetary expenditures in capitalist countries, most* of the money spent by the State goes into financing the State units of production and enterprises. The general mass of the population, those enlisted in the collectivised sector as well as those engaged in the private sector, are left with the very minimum possibilities of

purchasing consumption goods, and consequently are forced to undergo great privations and hardships in the hope of a better future. Private economy under the Soviet regime sees itself faced with inevitable annihilation; at any moment it can be swept entirely out of existence—by applying the lever of financial policy, for example—and it is tolerated only inasmuch as the State regards its functions as helping to round off the economic life of the nation. It is realised that in the inherent tendency of the regime to force everything to a head lies danger of over-tension and the possibility of the desired development suffering grave setbacks. Socialism " at any price " and " as quickly as possible " may after all simply hamper the work of building up the socialist society and be detrimental to the ultimate object of all economic activity, which is to supply the needs of the populace for the necessities of life. A financial policy that has to apply forcible methods and sharply stress its character as a political instrument in the class struggle runs the risk of dislocating national economy and neglecting its main task of building up the collectivised economy.

Only when one bears in mind this specific political background can one get to understand the peculiar features of the Soviet financial system. The Soviet State envisages its task as the practical realisation of socialism as soon as possible and to the fullest possible extent. But every form of a socialist economy has to make use of the method of planned economy. All the plans are integral parts of the centralised planned economy, whose progress is made public every year in the form of control figures. Each of the individual economic plans has, apart from its economic aspect, a financial side, that is to say, the chances of the programme being realised have to be considered from the financial point of view. All plan measures have to form an organic unity; none of the various partial plans is given special importance—in fact, it acquires real significance only as part of the whole. It was

therefore quite in keeping with the general line of advance when it was decided to set up a unified financial plan as a counterpart to the unified economic plan. Directly subject to planning, however, are only those enterprises falling within the domain of State economy; what lies outside the realm of State economy is merely regulated. In actual practice, then, the unified financial plan applies to the State economic sector only. For technical reasons, it has been possible to include only a part of this sector up to now: with regard to the State industries, mentioned in the finance plan are only the net takings and those expenditures that refer to new investments and extension of the industrial plant, not the real operation costs and income. The field of activity of the financial plan follows closely the development of State economy.

It is apparent from the law of May 23rd, 1930, that the financial plan is a method designed to bring more order and system into the administration of finance in the Soviet Union. It is designed to subject State economy, inasmuch as it finds its expression in the unified State budget, to a comprehensive financial planning which, in time, will be extended to include a very important State economic sphere now lying beyond the reach of the national budget. Something similar to this was attempted during the phase of militant Communism when the Soviets decreed the complete collectivisation of the means of production and the forced abolition of private property. The attempt was a failure and ended in the introduction of the New Economic Policy.

Despite all the difficulties facing its practical realisation and despite all the doubts it raises with regard to the methods it employs, the financial plan represents an attempt to raise all the items of national revenue placed, for the term of one year, at the disposal of the State and to put them to use. It is plain that the organisation of the State economy is such as to offer many possibilities for the accumulation of national

revenue and for its assignment. These possibilities have found their practical realisation in institutions such as the budgetary system, social insurance, State insurance, banking, savings banks, co-operative establishments, trade unions and so on. It stands to reason that there has grown up between these institutions engaged in raising and allocating funds, a close network of inter-relations. The prime object of the financial plan is to re-allocate those items of the national revenue flowing into its sphere by way of these channels. This makes it a very important instrument in the hands of the State. The political mission it fulfils is to function as a regulator of the national economy by guiding the economic and social evolution along lines designated by the political control.

Of the items of the national income claimed by the State in accordance with the financial plan, close on three-quarters are raised by the collectivised sector and only one-quarter by the private sector. The State apparatus (excepting that part devoted to the control of economic life) and the entire sector of cultural and social relations (of the State and its subordinate organisations), with its institutions for the satisfaction of collective needs (social, cultural and administrative), are purely consumptive branches of the State economy. In the collectivised sector of the national economy it is the State industries, transportation, trade, grain-purchasing bodies, banks, etc., that do most to contribute towards the task of raising the funds needed by the State, those funds appearing in the financial plan. The part of the national income which represents the contribution of the general populace to the State funds is, as is patent from the economic structure of the nation, largely exacted from the agricultural population. The collection is made in a most rigorous way. The accumulated purchasing power is allocated, also by way of the above-mentioned institutions, to the various sectors, where it is then distributed among the different branches of economic activity. If a

balance is drawn between the sums raised and allocated in accordance with the financial plan, it will be seen that parts of the collectivised sector show considerable surpluses, especially under the heading of industry, credit and trade, while other parts of this sector show partial deficits, agriculture in particular. These surplus funds are used for satisfying collective needs (social, cultural and administrative), as is also the purchasing power placed at the disposal of the State by the private sector. Emphasis is here placed on the endeavour of the State to restrict the administrative needs as much as possible and thereby liberate the greatest possible amount of funds for raising the cultural standard of the whole nation.

Another object of the financial plan is to show how the purchasing power claimed by the State is to be utilised. The financial programme of the Soviet Union is really an investment programme brought into relation with a predetermined reorganisation of the structure of the national economy, with the process of industrialisation. The Soviet leaders are hoping, with the aid of the financial plan, to mark out the exact structure of the national economy by ascertaining what quotas of the funds appropriated in accordance with the financial plan are to be used for extending the basis of production (new buildings, plant, etc.), and what quotas will be required to meet current needs (operating costs).

The share of the national income claimed by the financial plan, calculated in billions of roubles, was as follows:

| | 1928–29. | | 1929–30. | | 1931. | | 1932 Plan. |
|---|---|---|---|---|---|---|---|
| | Plan. | Achievement. | Plan. | Achievement. | Plan. | Achievement. | |
| National income | 28·1 | 30 | 34·0 | 33·9 | 49·8 | 37·8 | 49·2 |
| Financial plan | 13·0 | — | 19·7 | — | 31·9 | 31·3 | 43·0 |
| | Finance plan's share as percentage of the national income. | | | | | | |
| | 46·3 | — | 57·8 | | 64·1 | 82·8 | 87·4 |

As it is estimated at 43 billion for the year 1932, provided the Soviet figures are reliable, 87·4 per cent of the national income will be planned finance, an indication of the rapid growth that is being made in the process of collectivisation in the U.S.S.R. It also shows the hold the financial plan has already acquired over the economic organism. It is characteristic of Soviet conditions that, although achievement for the past year was behind schedule to the extent of half a billion roubles, the plan succeeded in getting hold of 82·8 per cent of the national income instead of the estimated 64·1 per cent. Probably the reason for this is that the national income did not increase to the extent that the control figures led the Soviet financiers to believe it would: instead of increasing from 33·9 billion in the year 1930 to 49·8 billion in 1931, it reached only 37·8 billion according to the figures of the Commissariat for Finance. But even this was an achievement deserving of admiration.

The difficulties that arose when the financial plan was drawn up, and especially during the efforts that were made to realise it in the year 1931, difficulties that are part and parcel of all planning technique in the U.S.S.R., have been so considerable that only recently a serious hitch occurred in the operations of planned finance. It probably arose from the fact that, of late, the most capable plan specialists have been replaced by younger men whose knowledge and experience are not equal to the task of mastering the ever-growing difficulties of plan work. The theoretical achievements and the high level of the scientific writings on financial matters have shown a considerable falling off, that is, inasmuch as these matters are allowed to be discussed in public.

The fact is that the achievements of 1931 have shown that when it comes to the point of putting the financial plan into operation, it is difficult to differentiate with any degree of exactness between budgetary resources, State bank credit, and those funds supplied by economic organisations from their own resources. This gives rise

to a state of affairs which prevents the various economic organs *from acting with a sense of responsibility in* managing their own resources and the funds loaned to them (a point that was raised in the budget speech of Finance Commissary Grinko in December 1931). When it was first legally inaugurated,[1] the financial plan was referred to as a measure following on the achievements already attained by planned economy. But at the last session of the Central Executive Committee in December 1931, only brief mention was made of its existence. It has been retained for the year 1932, but only as a method, and expressly without legal sanction. A survey like that which appeared for the year 1931 was not published. But as the financial plan is an integral part of the entire planned economy, the present phase must be regarded as a sort of breathing spell. It is a phase that will have to be overcome, otherwise the entire planned economy will be seriously endangered. In any case, this arrested development has brought to the fore again the significance of the part played by the budget in the Soviet financial system.

As a matter of fact, the budget is the corner-stone of the financial plan. Though a partial plan, it is based on long experience and contains elements of continuity which planned finance has not. It comprises about two-thirds of the financial plan. (The budget estimates for 1931 were balanced with 21·8 billion roubles, the financial plan estimates with 31·9; the budget estimates for 1932 are put at 27·5 billion, those of the financial plan at 43 billion.) Compared with the budgetary operations, the other State institutions engaged in extracting and allocating funds have receded very much into the background. The increased significance attached to budgetary operations lies in the fact that the budget is more than a function of

[1] Up to now two financial plans have been sanctioned by law: the one for the special quarter-year Oct.–Dec. 1930, and the one for 1931 with the economic year beginning January 1st.

State administration; to some considerable extent it has become the budget of collectivised economy, since it contains a portion of the revenue from the State-controlled units of production as well as the investments sunk in the national economy. The Soviet State embraces, in the main, a fourfold programme:

(*a*) Taxation and loan activity during a budgetary period;
(*b*) Acquisition of the fiscal portion of the earnings of the State-controlled units of production that have not been brought within the compass of the budget operations;
(*c*) Management of the finances of the State administration and transportation system;
(*d*) Financing of national economy through budgetary operations.

Disregarding for the moment the many incongruities in the technical sense, in comparison with the budget of other countries, it is plain that the Soviet budget is in substance altogether different. This difference lies mainly in the peculiar relationship in which the budget stands to the national economy. While the modern capitalistic State extracts the revenue for meeting the national financial requirements, as a rule, only to a minor degree from State-owned industrial resources, the socialist State derives its entire financial requirements from revenue extracted from State economy, a procedure that is assured of success only if the whole sphere of national economy coincides with that of State economy.

The Soviet State sets out to attain these objectives by taking steps to assure that, having obtained a monopoly in the important fields of production and distribution, the ground is prepared for a considerable increase in the revenue derived from the collectivised economic sector. It has to hold on to this course in the face of blunders arising, on the one hand, out of its bureaucratic system; on the other hand, out of the

difficulties inherent in all planned economy, particularly when the planning is motivated largely by political ideas. In the socialist process of building up a new economy and a new society, the budget has to serve as an organic part of the financial and economic plan and there it has, as far as lies within its power, the same functions to perform as the financial plan in the realm of the entire system.

Another special feature of the Soviet budget may be traced to the political structure of the Soviet State, which regards the liberal principle of a separation of the State's functions as being incompatible with the idea of the proletarian dictatorship, and so replaces it by the principle of the concentration of these functions. (Different political functions are assigned to one organ, but specific functions have to be performed simultaneously by different organs.) The organs that draw up the estimates and ratify them are not purely administrative organs, or purely legislative organs, yet they have both administrative and legislative functions to perform, so that instead of being in opposition to one another, there results a kind of division of labour and mutual control. In Soviet Russia, the influence of parliamentary institutions, which often assumes paralysing forms in democratic countries, has been entirely abolished. And as all the institutions of the Soviet State are imbued with the ideas of the Communist Party, they react to the unified command, and all strive towards the attainment of the common objective. The system of the Bolshevik dictatorship alone explains the unanimity with which the tremendous financial demands that are imposed year after year upon the individual citizen, and upon the nation as a whole, are made and carried out with the utmost severity and ruthless logic.

A third characteristic is that every constituent republic of the Union has its own budget. From the technical point of view this is something of an innovation in that all these budgets taken together are unified in the All-Union Budget of the U.S.S.R., which requires

the ratification of the Central Executive Committee. The seven constituent Union Republics have therefore no real budgetary independence. This budgetary system makes possible a unified regulation of the financial needs of the Union and the constituent Republics and a unified control over their financial operations.

There is now a tendency to simplify the entire budgetary system by including the local budgets, thus uniting all the preliminary estimates of the regional bodies in one and the same budget. This would create a "Unified State Budget" in the fullest sense of the word. In the Soviet Union there is no pronounced antagonism between the Union and the constituent Republics, as there is in federated States in other parts of the world. Any differences are toned down by the fact that the U.S.S.R. is not just a federation of States but of Soviet Republics, that is, of States of a proletarian complexion where everything is thrown into the struggle for the maintenance of the ruling system. Furthermore, in Soviet Russia there is no real self-administration in the German or English sense. The local bodies are merely subordinate functions of the supreme power, parts of the unified system, namely, the Soviet system. The entire State administrative apparatus, like the local administrative apparatus, is composed of representatives of the same class and is subject to the instructions of the Party, so that nowhere is there any opposition to the supreme authority. The local budget is just a rider to the All-Union Budget.

Just as there is a centralism in the physical sense, so there is a formal centralism conditioned by political factors. The administrative tasks that the Union, the constituent Republics and the local bodies have to perform is mapped out by the Union alone, likewise all stipulations with regard to their financial requirements. The powers allotted to the Union in the constitution are set down in such general terms that, should the necessity arise, they can be extended into every sphere of life. The growth of economic life and the progress of State planning almost automatically

compel the Union, now that it has incorporated the principle of centralised planning, to extend its control into more and more fields of State activity, thus enlarging its administrative machinery. Owing to the collectivisation of agriculture, for instance, a commissariat of the Union is now subordinate to the commissariat of a constituent Republic, and owing to its rationalisation the forestry and the timber industries have been placed under Union control. Moreover, the setting up of cadres for running the new units of production finds the Union launching forth into the educational field where the constituent Republics seemed most assured of retaining their independence. Other instances of this process could be cited. The relations between the Union and the constituent Republics are here disclosing signs of being "less rigid and fixed once and for all, but allowing of different forms and phases of development" (Stalin).[1]

[1] Compared with the Union budget, the budgets of the federated Republics have not shown the same growth. While the Union budget for 1932 gives an increase of 28 per cent over that of the preceding year, the budgets of the federated States have increased only 16·7 per cent. In this connection it needs to be stressed that the budgets of the federated States are so regulated that those of the backward States show a greater increase than those of the more highly-developed States.

The growth of the local budgets is shown by the estimates for 1932, which provide for an expenditure of 4·9 billion roubles as against 4·1 billion in 1931. Their main purpose is to finance local industry and to provide the funds for satisfying the cultural needs of the local population. As they are not in a position to raise sufficient revenue to cover their expenditure, they receive subventions from the Union in the form of the entire proceeds from the Agricultural Tax and the Culture and Building Tax. For 1932, these subventions totalled 1·5 billion roubles. An additional source of revenue are the so-called self-taxation and the "voluntary" levies paid by the village communes.

As the revenues of the independent States do not suffice to balance their budgets, they are dependent upon subventions from the Union. In the interest of centralised planning the Union does not allow the subordinate State and local bodies to create their own sources of revenue. Contrary to the

The development of the State finances of the U.S.S.R. reflected the catastrophic decline of national economy in the period of militant communism and its revival, following the transition to the New Economic Policy.

Apparent in militant communism was the attempt to get national economy established as collectivised, moneyless economic life organised on the basis of natural economy. Taxation levied in money was abolished and the imposition of taxes ceased altogether (Decree of February 3rd, 1921). The State revenues at that time were the goods produced by the State-controlled undertakings and co-operative concerns, together with the surplus products of the peasantry, which were confiscated and distributed in accordance with the decisions of the State executive bodies. Yet despite the fact that national and State economy were placed on the basis of an economy in kind, this system of a natural economy did not see practical realisation. For the conduct of the civil war, for running its State enterprises and for financing its administration, the State continued to a large degree to employ monetary methods, creating an artificial purchasing power by printing large quantities of notes. The budgets of the revolutionary years were made up of elements composed

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former practice, when the Union allotted fixed quotas of its taxation revenue to the independent States and covered their deficits, the central authorities now allocate the budgetary funds as they think best, adopting a less rigid view-point with regard to the subventions. Since the unification of the taxation system was effected the subventions are supplied by revenue from the Turnover Tax (in the estimates for 1932 set down at 1·27 billion roubles or 35·3 per cent of the sum-total of the local budgets). These subventions play an important part in the finances of some of the independent States (*e.g.* in the case of the Turcoman Republic they constitute 85·5 per cent; in the case of the Tadzhik Republic 83·5 per cent), while those Republics with a more highly developed industry are not assisted to anything like the same degree. (In the budget estimates of the U.S.S.R. subventions from the Turnover Tax amount to 26·4 per cent; in the case of the Ukrainian Republic to 14·1 per cent.)

partly of money and partly of values in kind. In view of the impossibility of forming any of them into an all-inclusive budget in the sense of the financial plan of to-day, these budgets of the militant communist period fail to give a reliable picture of the entire State activity in those days.

It is interesting to note that the first step in the transition to the New Economic Policy occurred in the sphere of finance. The introduction of the tax in kind in 1921 instead of the confiscation of the products of the peasantry, marked the return to the recognition of the right of disposal over the product of labour and the right to exchange goods in the open market, at first in kind and later on in money.

The reconstruction of the Soviet financial system was coupled with considerable difficulties: there was no adequate taxation machinery, and with the decline of national economy there were few tangible sources of revenue to be tapped. Taxation in kind continued to influence the character of the State finances. This development came to an abrupt end with the abolition of the tax in kind imposed upon the peasantry. From December 11th, 1923, onwards, all taxes were paid in money. The budget of 1924–25 was the first to be drawn up on a money basis and which provided the machinery for collecting the revenue in money. It was made possible by the stabilisation of the currency.

The final figures of the preliminary estimates were as follows:

| | Million roubles. | Percentage increase. |
|---|---|---|
| 1924–25 . . | 2,876 | — |
| 1925–26 . . | 4,039 | 40 |
| 1926–27 . . | 5,002 | 24 |
| 1927–28 . . | 6,088 | 22 |
| 1928–29 . . | 7,732 | 27 |
| 1929–30 . . | 11,621 | 50 [1] |
| 1931 . . . | 21,774 | 87 |
| 1932 . . . | 27,542 | 27 |

[1] Exclusive of special quarter-year Oct.–Dec. 1930.

It needs to be noted, however, that the Soviet estimates are in terms of a purely domestic currency, so that their true value, measured in terms of the purchasing power of the rouble, would not show such an increase. But even if the rouble depreciation is put very high, the actual increase in the Soviet budget is unparalleled in financial history.

The following table shows the chief sources of revenue:

| Revenue. | 1924–25. | | 1932. | |
|---|---|---|---|---|
| | Million roubles. | Percentage. | Million roubles. | Percentage. |
| Revenue from Taxation | 1,317·0 | 45·8 | 16,753·5 | 60·8 |
| Revenue, *not* raised by Taxation | 1,236·2 | 43·0 | 6,321·0 | 22·9 |
| Loans | 113·5 | 3·9 | 4,342·4 | 15·8 |
| Miscellaneous | 208·9 | 7·3 | 125·0 | 0·5 |
| Total | 2,875·6 | 100·0 | 27,541·9 | 100·0 |

(Inclusive of the emission of 26·3 billion roubles.)

As formerly, taxation still supplies the main source of revenue. But this has only formal significance, since the division into revenue raised by taxation and revenue not raised by taxation is becoming more and more meaningless. The Turnover Tax, which, according to the estimates of 1932, is expected to bring in 15 billion, or 55 per cent of the entire revenue, is paid almost exclusively by the State or by co-operative units of production and merely represents a special way in which State concerns raise funds for the State. The quotas of subventions directly—formally, at least—made over to the State finances from the proceeds of industry show an increase (if not to the same extent as taxation), though they are lower in 1932 than in the preceding year, because the State allows the concerns to retain large funds in order to increase their financial independence. They are also permitted to retain all

revenue in excess of the planned income as an incentive to greater effort. These surplus amounts can be used for improvements, for satisfying cultural needs or for rewarding diligent workers. Latterly, a special source of revenue is the "commodity fund." It is a levy on sales in the so-called State commercial stores, where commodities fetch higher prices than on the open market. The State loans are growing in importance as a source of taxation revenue, notably since they have come to assume a more obligatory character.

A study of the expenditure side of the budget estimates gives a still better idea of Soviet finance, because it reveals the extent of State initiative in the economic life of the country: that proportion of the total expenditure set aside for investment in State-controlled industrial enterprise serves to indicate how far the Soviet State has come within reach of its ideal of State socialism. The following table gives a comparison of the main items of expenditure of the centralised State budget for the years 1924–25 and 1932:

| *Expenditure.* | 1924–25 Budget. | | | | 1932 Estimates. | | | |
|---|---|---|---|---|---|---|---|---|
| | Million roubles. | | Percentage. | | Million roubles. | | Percentage. | |
| 1. National Economy | 543·6 | 1,537·1 | 18·5 | 52·2 | 16,052·7 | 20,078·7 | 58·2 | 72·8 |
| 2. Transport and Communications | 993·5 | | 33·7 | | 4,026·0 | | 14·6 | |
| 3. Social and Educational *Expenditure* | 278·5 | | 9·5 | | 1,557·4 | | 5·7 | |
| 4. Administration | 290·0 | | 9·8 | | 466·6 | | 1·7 | |
| 5. Army and Navy | 442·5 | | 15·0 | | 1,396·5 | | 5·1 | |
| 6. State Debt | 66·1 | | 2·2 | | 990·0 | | 3·6 | |
| 7. *Subventions to Local* Authorities | 272·3 | | 9·3 | | 1,498·6 | | 5·5 | |
| 8. Miscellaneous | 59·9 | | 2·0 | | 1,554·2 | | 5·6 | |
| Total | 2,946·2 | | 100·0 | | 27,542·0 | | 100·0 | |

These figures are more eloquent than any commentary. Compared with the budgetary expenditure of capitalist countries, the main difference lies in the fact that the State Debt item constitutes only a small part of the total expenditure. The annulment of the State debt

freed the budget from heavy burdens of the kind that, in other countries, threaten disaster. Another difference is the large sums set aside for financing national economy; it is these investments that make it a budget of socialist construction. Pursuant to the Five-Year Plan, the 1932 estimates show that it is intended to set aside more than one-third of the entire expenditure for subsidising the heavy industries and more than half of all the subventions will be in the nature of investments in the national economy. Apart from these items, all that remains over is more or less comparable to the public administration item of the budget of capitalist countries.

The foregoing figures might give a wrong idea of the extent of the cultural and social activities of the Soviet State. It therefore deserves to be borne in mind, when considering the 1½ billion roubles set aside in the 1932 estimates for cultural purposes, that in the Soviet State the task of satisfying the cultural and social needs of the population is undertaken principally by the local bodies. The subventions mentioned in the State budget under this heading are designed to help out the local bodies in special fields—in social insurance, for instance. It is intended to allocate 9·2 billion roubles in 1932 for this purpose, that is, 38 per cent more than in the preceding year. The estimates for military purposes and those for administration seem to be moderate. It will be noted that the estimated expenditure for military purposes also seems low when it is remembered that the Soviet State is maintaining a powerful and very well-equipped army and navy and an effective GPU. This anomaly is explained by the fact that the funds for the armament industry figure under the category of National Economy. Expenditure for purely administrative purposes likewise seems moderate at a time when bureaucracy in the Soviet Union is assuming disquieting forms.

The obliteration of the dividing-line between revenue from taxation and revenue from other sources has

become a singular feature of the Bolshevik system of taxation. Prior to the Tax and Credit Reform of the year 1930, this was modelled on the taxation systems of capitalist countries and showed specific similarities with the taxation system of czarist Russia. In the early days of the New Economic Policy the financial means for the reconstruction of economic life had to be obtained primarily from the private economic sector by applying drastic measures. The taxation system in those days was exceedingly complicated, particularly as it was made an instrument of the class struggle.

The change in the social structure of national economy, the growth of the collectivised economic sector and the corresponding decline of the private economic sector now began to yield results. Henceforward, purchasing power began to accumulate more and more in the socialised sphere and, in consequence, the main burden of State expenditure was shifted on to the strengthened shoulders of State economy.

Although earlier attempts had been made to bring the Soviet system of taxation more in line with socialist ideas, no radical changes were made until the year 1930. As a matter of fact, two systems of taxation were substituted for the previous system, one for the collectivised sector and one for the private sector. The former is designed to enable the State to fill its coffers in the quickest and most rational way; the latter is dominated by political motives and is a weapon in the class struggle. Private enterprise is over-burdened to such an extent that even those services that are quite capable of survival, even under existing disadvantages, are systematically annihilated.

In actual practice, only two taxes are levied in the collectivised sector: the turnover tax and the income tax. The turnover tax is a levy on sales, and the rates vary according to the class of goods. As a general rule, the tendency is to increase the incidence of taxation the more personal the value of the commodity. Primary products, such as coal, and the means of production,

such as machinery, tractors, trucks and ships, are placed in the category of the lowest tax assessment, namely, 2 per cent; food-stuffs, such as grain, milk, eggs, are substantially higher, from 11 per cent to 12 per cent. Then follow articles of use, such as footwear and cotton yarn, about 20 per cent, and finally luxury articles, cigarettes, alcoholic beverages, the sales tax on the latter being as much as 88·4 per cent. A number of other taxes and duties are levied under the turnover tax. The income tax is now at the fixed rate of 20 per cent of the net profit: State, co-operative and semi-State units of production and enterprises are subject to this tax.

In the private sector importance attaches to the industrial tax, which imposes a tax at a fixed rate on small traders and on the turnover of other small enterprises, and to the income tax. Since 1931 there has been a special levy for financing cultural development and building schemes. It has to be paid by the urban as well as the rural population. In every case, class view-points constitute a decisive factor in fixing the rates, determining which categories shall enjoy favoured treatment, and settling the question as to which category the taxpayer is to be assigned. The worker in the co-operative organisations is invariably called upon to pay less than the unorganised worker, just as earnings from socialised sources are assessed at a lower rate than those from non-socialised sources. The artisan who works entirely on his own is much more leniently treated than the artisan who employs hired labour; in every case, the worker, the craft worker and the home industry worker are better off than the house-owner or the middleman.

This differential treatment can be observed most clearly where one and the same tax holds good for both the socialised and the private sectors. Take, for instance, the single agricultural tax. Whilst the socialised concerns are approached very cautiously, the private enterprises have to put up with every

sort of interference. The tax is therefore very severe on the independent peasants: each kulak is assessed individually, which puts him at the mercy of the village Soviet. His fate lies in the hands of the poorest peasants in the village and the kolchosen are able, by the system of self-taxation, to force him into making more and more sacrifices.

The world economic crisis has played havoc with the finances of the capitalist countries. Everywhere curtailment of budgetary expenditure and a serious falling off in national revenue, budgetary deficits and endangered credit. None of these symptoms has made its presence felt in the financial economy of the U.S.S.R. And yet this great conglomeration of socialist republics is face to face with a financial crisis, too. It is a crisis of growth. In all its plans, and especially in its financial and budgetary plans, it strives to reach out to the utmost limits of its capacity. Every budget represents effort stretched to the breaking-point and consequently there is always the danger of collapse at the weakest spots. This factor, that a slight hitch might throw the entire machinery out of gear, is a weighty matter. The budget is just a part of the entire economic planning. All economic planning necessitates financial planning. Failure to achieve the desired results at any one point in the field of planned finance would have immediate and corresponding repercussions in the field of planned economics and, in the end, endanger the whole achievement. Indicative of this crisis in the growth of socialised society is the fact that last year's budget estimates were not realised according to plan: thus, the transport industry fell short of expectations to the extent of 700 million roubles, industrial production by 250 million roubles (though mainly as a result of the alterations made in the stipulations regarding the amounts to be deducted from the profits and paid into the State coffers), the reserve fund of one-and-a-half billion roubles that was to be set aside in 1931 could not be raised, and so forth. To

be sure, these losses were more than compensated by increased revenues in other directions, but these, again, were swallowed up by increased budgetary demands arising mainly out of additional investments in industrial undertakings. The programme of capital accumulation within the socialised economic sector could not be carried out, the planned quantity and quality of production were not achieved, nor was there a lowering of production costs to the extent predicted. Consequently, the State had to fill up the holes by resorting to monetary emission contrary to its best intentions. The centralisation of economy and finance, however, gives the State the chance of warding off the danger of a breakdown wherever signs of disorganisation show themselves. As a means for the attainment of that ultimate objective towards which Soviet Russia is striving, its financial system has proved its effectiveness in every way and, despite certain defects, it is capable of achieving big things.

# IX

# TRANSPORTATION IN THE SOVIET UNION

By Dr. H. Saller
*(Director of the German State Railways)*

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Geographical conditions in the Soviet Union are, on the whole, not favourable to the development of transportation. The long stretch of Arctic seacoast from Murmansk to Cape Deshnefa is almost completely barred to shipping. In the east, the perilous Pacific seacoast practically confines shipping to the port of Vladivostok. The Baltic Sea in the vicinity of Leningrad is icebound three to four months in the year. The Caspian Sea is an inland sea. Thus, the only maritime frontier really favourable to shipping is the Black Sea.

Then, again, while most of the rivers run northward to the icebound Arctic Ocean, Russia's most important river, the Volga, flows southward; but it discharges its waters into the Caspian Sea, which is encircled by Russian territory and by a small part of Persia. The importance of the Volga as an inland waterway is diminished by the fact that the general flow of commodities, such as grain, oil, salt, fish, etc., is up-stream.

On the other hand, the land formation throughout the Union is favourable to the carrying out of waterway projects (Volga–Don, Baltic Sea–White Sea, Baltic Sea–Black Sea, Manitch, etc.). But this advantage is somewhat eclipsed by the drawbacks of a continental climate. Those vast expanses of flat country that form such a characteristic feature of the Russian

landscape would seem to lend themselves to the development of roads and highways, but the Russian soil is of a quality that makes roads impassable in spring and autumn, and in wet summers. All the roads would require stone surfacing. The existing 30,000 kilometres of stone-surfaced road represent only about one per cent of the total mileage.

It is therefore quite apparent that the railroad is best suited to become the principal means of transportation in Russia. The valuable deposits of mineral resources, such as coal, ore and petroleum, are not conveniently located for transport to the seaports. The distance separating the coal mines from the industrial centres is about 600 kilometres in the United States of America, and 450 kilometres in Germany. In the Soviet Union, the distance of the Donetz Coal Basin from the main industrial zone of Moscow is 1,000 kilometres, and from Leningrad 1,600 kilometres, while a distance of 2,000 kilometres separates the Siberian Kusnetsk Coal Basin from the Ural industrial zone. The distance from Leningrad to Vladivostok amounts to nearly 10,000 kilometres, and the principal grain-growing region of West Siberia lies about halfway, the haul in each direction being 4,500 and 5,000 kilometres. Owing to the backward state of industry and agriculture, despite the immense distances, the amount of traffic carried by the Russian railroads is relatively small, less than half that of Germany. One is therefore justified in saying that the existing Russian railroads are far from being utilised to their full capacity.

Russia was formerly one of the most backward countries in railroad transportation. The world war and, above all, the civil war, played tremendous havoc with the Russian transport system. The winter of 1919–20, with its snowdrifts, shortage of locomotives and lack of fuel, saw conditions reach the lowest point. The total length of lines in operation had fallen from 63,749 kilometres in 1913 (some sources

put the figure at 58,000) to only 29,156 kilometres. Such was the state of disorganisation, that in the food-stuff depots of Moscow and Leningrad there were times when not a single truckload of grain was to be had.

Russian transport policy in the period immediately following the civil war was primarily directed towards the restoration of equipment. As far as the railroads are concerned, this task was accomplished prior to the inauguration in 1928 of the first Five-Year Plan. The railroad traffic in this year exceeded that of the year 1913. In the year 1927–28 the amount of goods transported by rail totalled 150·6 million tons, while 38·6 million tons of cargo were carried on the inland waterways. In the same year, the seaports handled a total of 24·2 million tons of cargo. The corresponding figures for the year 1913 were 132·4 million tons, 48·2 million tons and 36·9 million tons respectively, showing that only in the case of the railroads had the pre-war figures been exceeded.

As all means of transport in the Soviet Union are in the hands of the State, there is an entire absence of competition between the railroads and motor and waterway transport. It is the claim of the Soviets that planned economy under communist direction is able to set up a closer connection between transportation and the entire economic life of the country than is possible under the capitalist system. How far this advantage is counteracted by the prevalence of bureaucracy, by lack of individual interest following the elimination of every incentive to progress, remains to be seen. At the present moment, everything is in process of becoming. There is no denying the fact that what has been attained so far is the result of the application of violence and terrorism, methods that are inconceivable concomitants of a permanent state of affairs. Naturally, then, it is not easy to say what features will ultimately survive.

In its main aspects, transportation in the Soviet Union

has, by reason of the altered frontiers, undergone some marked changes compared with pre-war conditions. Owing to the changed economic conditions, some of the main trunk lines are not worked to the extent they were formerly, whilst others suffer from traffic congestion. One very noticeable change is that in European Russia the traffic tends to flow more and more in an East–West direction instead of in a North–South direction. There are two outstanding lines of communication: Donbass–Moscow–Leningrad (supplying the industrial regions with coal) and the trade routes carrying the flow of commodities and minerals from Siberia. Other general trade routes that have grown considerably in importance include the connections Donbass–Western Ukraine, Caucasus–Central Russia, Volga–Southern Ukraine, the route linking up Middle Asia with Siberia and Central Russia, and the North–South connections in the Urals.

Like everything else, transportation in the Soviet Union has been brought within the compass of the Five-Year Plan.

Quite apart from the advantages generally ascribed to the communistic system, the projected reorganisation of transport has to take into account the peculiar qualities of the land formation throughout the U.S.S.R. This is a factor of decisive importance. The natural resources of the far-flung Soviet realm are inexhaustible and, to a great extent, still unexplored. They provide the possibility of almost complete national self-sufficiency as regards raw materials, and opportunities for economic development far beyond anything imaginable in countries that have reached a more static state of civilisation, where conditions are less easily altered and the population less willing to show a like capacity for patience and long-suffering. To be sure, these natural resources and possibilities cannot be considered real assets until the road to their actual utilisation is opened up by transportation. Hence the great importance given to transportation in the

Five-Year Plans as a means of developing the natural resources, an importance that was at first underestimated. It is now fully realised that the desired increase in production and exchange of goods to be brought about by the linking up of new zones, with due regard to the exigencies of national defence, will put a great strain on the transport system, especially on the railroads.

Primarily intent on putting all the means at their disposal in the service of their political aspiration, the Soviet rulers know that ultimate success depends upon how far they can carry out the industrialisation of the country and the socialisation of the peasantry. What more natural, then, than that transport should be regarded by them as a means to an end? Yet, although the estimates set down in the first Five-Year Plan were by no means modest, they show a failure to grasp the importance of transportation and the extent of its backwardness.

That is why, in Soviet parlance, transportation has become a "tight place." This means that all the ruthless energy and harshness associated with Soviet management will be concentrated on taking thoroughgoing, radical measures to remedy this state of affairs. Proof of this is an ordinance issued about a year ago, brusquely demanding, under threat of severe punishment, the return to the transport service of all workers employed in this branch of industry within the last five years. In this way it is at least hoped to solve the question of getting sufficient labour. Moreover, the Commissariat for Transport, formerly responsible for all branches of transport, has now been divided into two sections, one of which will devote itself solely to waterway transport. This will simplify matters and allow of greater concentration upon the task in hand. Further endeavours to speed the work will be made by exerting pressure on those other commissariats upon which depends the construction of plant. An appeal has even been made to Russian authors

(Gorki is one of the names mentioned), calling upon them to put their talents in the service of this cause. Where these measures prove ineffective, help is sought from the Procurator and the Gay-Pay-Oo.

It is hoped that these difficulties will be definitely surmounted and that in the second five-year period it will be possible to use transportation as a powerful lever in socialist integration. The achievement aimed at by the railroads is designed to increase annually, until by the year 1937 the total freight figure will reach 700 million tons (the United States figure for the year 1930 was 1,138 million tons) and the passenger traffic be in the neighbourhood of 1½ billions. (The corresponding figure for Germany in 1930 was 1,830 millions.) The whole fate of the plan depends upon how far transportation will be able to bear up under this gigantic strain.

Needless to say, the equipment of the Russian railroads is, in parts, still very defective. To a large extent, these deficiencies have been inherited from the old system. The operation of the lines is, in the first place, very much what one might expect in a system set up with pirated equipment. Down to the present moment, too little has been done in the way of renovating and improving the rolling stock and the trackways. Conditions here threaten a catastrophe. The work of reconstructing stations, junctions, bridges, buildings, etc., is very much behind schedule. The general state of the track structure can more or less be compared to what it was in Germany thirty to forty years ago. While in Germany, in 1928, the lines carrying heavy traffic were equipped with rails of 45 kg./m., between 33 and 40 kg./m. weight-length, and lower, in the proportion of about one-third to each of these three categories, in Russia 53·3 per cent of the rails are 33·5 kg./m. in weight-length, and 30 per cent of lesser weight-length, despite the fact that the broader gauge (1·524 metres as against 1·435 metres) and the higher crowning of the road-bed of the Russian lines

postulate heavier loads. In 1929–30, 49 per cent of all the plank crossings and, in 1931, 10,000 kilometres of rails were still awaiting removal to the scrap-heap. At the inauguration of the Five-Year Plan practically half of all the wood sleepers had not been treated with a preservative and consequently their durability was reduced to a minimum. From 1929–30 onwards, it was decided to use only sleepers that had been treated with a preservative, but even over this period a further 7 million untreated sleepers were laid down. In 1931, sleepers untreated by chemical preservatives totalled 60 million. Moreover, the space between the sleepers is greater than in other countries: only 1,440 sleepers to the kilometre as against 1,600 in Germany and 2,000 in the United States. Practically all the sleepers on the Russian railroads are bedded in sand and are, for the most part, of poor quality, whereas in Western Europe the invariable practice is to construct the road-bed of rubble stone or gravel. The cost of running the railroads in Russia is tremendous and not on a profitable basis. The number of accidents that occur is enormous. The number has been increasing in an appalling fashion. In the year 1929–30 it was about eleven times the corresponding figure for the German railroads. Reckoned on the mileage covered it would work out at about eighteen times, and for serious accidents about seven times the German figure. The number of persons killed and injured, reckoned on the mileage covered, is given in the international railroad statistics for 1929 as being 7½ times as great as on the German railroads. A disquieting fact is that the big political newspapers often suppress news of the big accidents. In most cases, one gets to learn the truth as a result of the subsequent legal proceedings which generally take place almost immediately afterwards. A recent instance of this was the big railway accident at Kossino near Moscow, where three trains were involved in a collision resulting in 68 persons being killed and 128 injured. The safety equipment is still rather

primitive. For the most part, the freight trains do not move to any fixed schedule.

One big difficulty that has to be faced is the lack of building material and the poor quality of the available material and plant. This makes itself felt not only in the upkeep and maintenance of the lines, but also in extension work and the construction of new lines. The materials needed are not fully supplied. The quality of the material supplied is not up to standard and large quantities of it have to be scrapped. When the Perm line was being laid down, for instance, as many as 66 rail breakages occurred daily. Statistics for 1929–30 reveal that 57 derailments were attributable to rail breakages, as against 3 in the German railroad statistics. The average mileage of a wheel flange shows a decline from 35,000 to 40,000 kilometres in pre-war years to 24,000 kilometres, in some cases to between 8,000 and 12,000 kilometres. The locomotives are in such poor condition that the supply is not equal to the demand, with the result that it often happens that trains are left stranded on the open trackway. Efforts have been made to reorganise the locomotive service by the adoption of foreign methods, especially Japanese methods. The medium locomotive haul and the medium freight-car load do not increase in an equal proportion as in other countries, and car improvement work falls short of requirements. Thus, although there is a general all-round improvement of standard, the Russian railroads must be graded very low in a comparison with the railroads of the rest of the world. The frankness with which this deficiency is admitted, and even exaggerated in order to spur on the masses to redouble their endeavours, is some assurance that serious efforts are being made to put an end to this state of affairs.

The outstanding task of the two Five-Year Plans is, first of all, to bring about a transition to the heavier type of locomotive and freight car, especially in stretches of line where water supply is lacking. But owing to lack of means and of building material,

precious little is being done to strengthen the track structure as a necessary preliminary. The automatic brake system is to replace the hand-operated brakes in practically all the freight cars.

It is intended to have this all carried out by the end of the second Five-Year Plan (1937). The automatic block system is to be introduced. The rolling stock is to be increased and given greater specialisation of function. The so-called marshalling of the long-distance freight trains will accelerate the handling of goods and expedite their delivery. Mechanical appliances are to be introduced for loading and unloading the goods and for the construction and maintenance of the lines. The track structure is to be renovated, stations and junctions are to be built and there is to be a speeding up of the freight trains (hitherto the average velocity is given as 13 to 14 kilometres, as against 20 kilometres in Germany).

Apparent in all these undertakings, but particularly in the case of transportation, is the desire to become independent of foreign assistance and, wherever possible, to make use of Russian inventions. Like every other human activity in the Soviet Union, the whole field of inventions has been given a political colouring. Above all, efforts are being made to ensure that, as far as humanly possible, every new invention shall originate with the proletariat, the ordinary worker, and to induce the engineers to contribute their specialised knowledge towards this end in a disinterested sort of way. That any individual should aspire to invent or discover things on his own and for his own sake is a matter which, at bottom, like every other form of private initiative, runs counter to the system. Invention has therefore to occur collectively. Furthermore, any expectation of a reward is merely regarded as a form of that individualistic outlook so thoroughly condemned by the communist way of thinking. In any case, the whole sphere of inventive activity is kept alive by an intense political propaganda. The Association of Inventors, an association

furthered by the State, has a membership of 400,000 and the number of inventions submitted through this body is enormous. Apparently, a decision to turn down an invention sent in by a worker is not without its dangers. Eighteen inventions from one hundred workers in the course of one year is not uncommon. But whether this union of politics and invention has been productive of good results, it is extremely difficult for a foreign onlooker to say.

It is intended to divide the railroads into categories, grading them in accordance with their capabilities to deal with the flow of freight traffic, their degree of technical equipment and their profitableness. There will be the trunk lines, of which the principal ones will be raised to the position of main trunk lines. By the aid of modern technical equipment and by laying down a policy of control and operation, the main volume of freight traffic will be marshalled on these lines, thereby reducing running costs. There are, in the Soviet realm, two freight traffic routes where it is particularly feared that a partial or total breakdown will occur in the near future. Both these routes are destined to become main trunk lines. They are the lines connecting Siberia and the Donetz Coal Basin with the industrial zones of Moscow and Leningrad. In the first case, the line serves the double purpose of opening up Siberia and uniting the vast Kuznetsk Coal Basin with the ore deposits in the Urals to form an economic unit whose importance would be felt beyond the Soviet frontiers. Latterly, however, more sober counsels have effected a modification of these spectacular features of the Five-Year Plan. One is now inclined to regard the project of this main trunk line as premature, economically and technically too far in advance of existing Russian conditions. Obviously, this is quite true. Even the project of a main line to bring coal from the Donbass area to Moscow has undergone a modification in that endeavours will now be directed towards a local exploitation of these sources of energy. Instead

of constructing a main trunk line, efforts will henceforth be largely concentrated on developing the rolling stock.

Relatively, very little has been achieved so far in the work of extending the Russian network of railroads. On October 1st, 1928, the total route mileage of standard gauge lines in operation was 77,000 kilometres (as against 420,000 kilometres in U.S.A. and 58,000 kilometres in Germany). The Five-Year Plans have laid down gigantic projects of new railroad construction with the object of opening up entirely new zones, supplying industry and agriculture with the raw materials available in large natural deposits, and, on the other hand, of relieving the traffic on various lines. It was intended to begin, in the course of the first five-year period, on the construction of 23,650 kilometres of railroad and to have 18,000 kilometres put in operation. Lack of skilled management and personnel and want of material appear to have accounted in the first place for the restrictions, but it is difficult to find out to what extent the plans had to be discarded. The figures are constantly changing. The following are probably the latest to be issued. Reckoned on a yearly basis, it would work out at about 3,500 kilometres. A growth in railroad construction comparable to this can be shown only by the United States, where the average annual increase from 1829 to 1923 was 4,850 kilometres. Russian lines of standard gauge in operation increased from 58,500 kilometres in 1913 to 81,000 kilometres by the end of 1931, and the planned addition of 25,000 to 30,000 kilometres between now and 1937 will bring the total to 116,000 kilometres, or twice the pre-war route mileage.

Of the new railroad construction undertaken in accordance with the first Five-Year Plan, but apparently not carried out in its entirety, 48 per cent may be specified as consolidation and improvement of existing connections, and 52 per cent as local connections, freight delivery lines, etc. They may be classified in

the following groups: lines operating to serve purposes of agriculture, timber trade, colonisation (the outstanding example of this being the Turksib), freight lines linking up with coal-producing areas (Donbass, Ural), and relief and by-pass lines. Quite apart from the difficulties mentioned above, there are reasons why the work on the new constructions will not be taken in hand on a big scale until after the conclusion of the first five-year period. From an economic view-point, the postponement of work on the big projects has become necessary because the possibility of heightened national achievement and reduced building costs will be realised only as the outcome of the pending industrial development. At the present moment the Soviet Union has a very high building price index, so that a reduction is expected. But in the general turmoil created by the system as it reaches out towards its goal (a turmoil which is to a great extent a product of its anxious striving after self-preservation), this standpoint is forsaken, and the interpretation put on it, as on so much else in this land of the class-struggle, is now that of conscious sabotage. In this matter of retrenchment a part is played by the question as to the general outlook of the personnel engaged in the transport industry. It is a question that has political bearings. That the younger workers have been trained to pay more regard to politics has apparently had detrimental effects from the very beginning. The older workers of the intelligent type have been suppressed and lessened in number. But they are being made use of. Latterly, even the "specialists" have been put on a parity with the workers, at least as regards their legal position, food rations, and so forth.

Of the railroad constructions completed up to the present, chief importance attaches to the Turkestan-Siberian Railroad opened on January 1st, 1930. Designed to convey grain from Siberia to Middle Asia, its ultimate purpose is to expedite the development of the cotton-growing industry in Middle Asia. The rail-

road apparently has political significance as well, especially in view of the urge to spread the communist system throughout Asia.

It is a matter of common knowledge that Lenin was one of the first to indicate the important effect that the electrification of transportation in the Soviet Union would have on industry and agriculture. " Only when the electrification has been carried out on a national scale, when industry, agriculture and transportation have been put on the technical basis of modern big-scale production, shall we be able to win through to ultimate success." In this system of a national economics of energy production linked up in all its branches, transportation is given an important place. It was expected that, as a result of the setting up of the socialist system, mass goods in large quantities would be conveyed over short distances while long-distance transport would be practically monopolised by passenger traffic and valuable goods. In the realm of transportation, both these eventualities point to the need, on the one hand, for electrification of ways and means, and, on the other hand, for automobile and water transport. As this, in its turn, means the construction of new plant and equipment, the Soviet leaders were not faced with the problem of doing away with the already existing equipment, which represents huge capital investments. It was calculated that by electrifying transportation large quantities of fuel would be made available for other important purposes and that much saving could be effected in the construction of new equipment, in the improvement of existing lines, and in labour costs.

Up to now, the electrification of the Russian railroads is far from being up to schedule, in fact it has been confined to a stretch of about 100 kilometres, a Moscow suburban line, and the Suram Mountain Pass Railroad in the Caucasus now nearing completion. The state of Russian industry is not sufficiently advanced to enable the electrification of transport to be carried

out. It is intended to tackle the problem in real earnest during the current year of 1932. The second Five-Year Plan provides for the electrification of a number of important lines in Siberia, the Ural–Kuznetsk network, the Donbass and the Caucasian lines, as well as the lines linking up the industrial centres with the chief producing areas, also a number of suburban connections. Mentioned in the second Five-Year Plan is a total of about 25,000 kilometres. Thus, by the year 1937 the length of electrified railroad would be about 20 to 23 per cent of the total network, or from 40 to 45 per cent of the total freight lines. On the other hand, one learns that work on the building of a factory for the construction of electrically-propelled locomotives was not begun until 1932.

There are immense possibilities in the Soviet Union for the development of electrification in all its branches, particularly with regard to water power. The gigantic Angara project in Siberia, for instance, holds out the expectation of electricity at 27 kopeks per kilowatt. At the end of 1931 the total productivity of the power stations in the Soviet Union did not exceed 100,000 kilowatts. It is planned to increase it by 1937 to between 5·6 and 6·3 million.

According to the most recent statistics available the total length of broad-gauge and narrow-gauge lines in operation throughout the Soviet Union on October 1st, 1929, was 77,092 kilometres. Considered in conjunction with the area and population of the country this figure is exceedingly small. Mention has already been made of the fact that not only the gauge but the crowning is broader than in Western Europe. All who have travelled on Russian cars will have noted how much roomier they are than elsewhere.

Yet, although the road-bed structure is very weak and overloaded, because of the constant increase of traffic, it is now intended to add still further to the wheel load, bringing it up to 23 tons. The freight movement in the year 1928–29 exceeded that of the

pre-war year of 1913 by 32 per cent; the passenger traffic by 80·5 per cent. But whether these startling statistical figures can be taken as an absolute sign of Soviet industrial prosperity remains questionable. For one thing, the enormous increase in the passenger traffic might be analogous to the unrest created in a disturbed ant-hill or be put down to the general destitution that makes the populace restless, giving rise to phenomena such as the desire of the workers constantly to change their place of occupation. The considerable increase in the flow of traffic is in excess of the growth of the industrial and agricultural productivity.

In the Soviet Union the average transport distance is 585 kilometres, which is in marked contrast to the 152 kilometres for Germany. It serves to emphasise the part played by long-distance transport in Russia. In handling-time at the freight terminals and in the profitable running of their cars, the Russians claim to be surpassed only by Germany and Japan. In the density of the traffic and in the utilisation of the means of transport (1,738 million ton-kilometres to the kilometre in the year 1930) they claim first place, having now overtaken the United States (1,608 million). On what basis these calculations are made and whether the figures are trustworthy, it is hard to say. In any case, they serve to show that conditions on the Russian railroads are very near breaking-point and that immediate steps must be taken to extend and improve the whole network.

The operating ratio, that is, the ratio showing how much of the takings have been debited to the expense account, in the years 1924–25 to 1927–28 was 85, 87, 85 and 79. In the year 1928–29 it even dropped to 70. On the face of it, a very favourable state of affairs. The operating ratio of the German railroads was 83 for the year 1928 and 84 for 1929. But here a comparison is misleading. In fact, no comparison is possible. Public opinion in Germany would not tolerate an overcrowding of trains such as occurs on the Russian lines

(particularly on the suburban lines), such poor connections or such an appalling number of accidents. Despite the favourable operating ratios, there is no intention of lowering the tariff rates, apparently in view of the enormous appropriations demanded by the Five-Year Plans.

In the operation of the railroads a number of organisatorial and technical improvements has been introduced. The position is particularly good in the Soviet Union with regard to the utilisation of the rolling stock, especially the freight cars, due no doubt not only to the great distances but also to the extraordinary intensity of the propaganda which aims at playing off one set of employees against another. The utilisation of the hauling power of the locomotives is limited in the Soviet Union by the low-grade haul and buffer equipment of the rolling stock and the lack of automatic braking. Despite this, however, the Russian railroads are able to show quite good figures.

The possibility inherent in the communist system, although at present only a theoretical possibility, of regulating the freight traffic so that its flow is taken by all branches of transportation in accordance with a yearly schedule, opens up good prospects. Whilst, according to capitalist ideas, the development of freight traffic in all branches of transportation is regarded as a natural process allowing of no sort of pre-calculation, the Soviet leaders believe that by virtue of their planned economy as applied to transportation ("plan-perevoska") they will be able to predict the future development of transport in all its details. The plan figures out the volume of freight traffic not only for each year but even for each month. As all private interests have been eliminated, on the theoretical side, it is quite conceivable that the moving of freight by rail, steamer and other means, can be predetermined by planned economy. For the setting up of such plans, it would be necessary to have as basis for calculation the figures supplied by transport companies, by those who consign

the goods and by those who receive them. In order to be independent of factors arising out of the course of natural occurrences and therefore unforeseen, special measures will be taken. For instance, it is intended to store the grain produced in one area in large warehouses or silos and to transport it in a regulated flow in accordance with a pre-calculated demand. Wasteful competition between the various forms of transportation, between railroad and automobile, for instance, is done away with because the State controls everything. Thus, in strong contrast with the capitalist system, with its planless production and distribution, is this picture of a communist State, in which all the principal functions are planned, if not in all their details, at least to a very high degree. One of the upshots of this is that transport costs can be reduced and the whole stock of conveyances be utilised on an economical basis in strict conformity with the needs. But so far the Soviet leaders seem to be finding out that it is a long road that leads from these fine theories to their practical realisation.

Whereas the medium freight haul in 1913 amounted to 490 kilometres, after the war, and following upon the readjustment of the flow of traffic from a West-East direction to a more North-South direction, the figure showed an increase in the year 1927–28 to 585 kilometres. The total volume of traffic during the same period increased from 66 to 88·3 billion ton-kilometres. This freight haul surpasses that of any other country. In the case of the long-distance traffic, as it is mainly a question of so-called weight-losing raw materials (coal, lumber, oil, corn) which do not go to the making of high-priced ready-made goods for further conveyance, this increase of the freight haul must be considered a factor unfavourable to a national budget. It points to a system of transport that is economically unsound from a national view-point and that would require buttressing by differential tariffs. It thereby adds to the number of empties and the loss

of goods. Efforts are being made to adopt measures with the object of reducing this high freight haul, mainly along organisatorial lines by bringing about closer collaboration between the various forms of transport and the associated bodies that are being served. Here, too, in judging these matters, one has to take into account a further advantage arising out of the communist system, although so far it is only a theoretical advantage from the view-point of national economy. It is that little or no attention is paid to the more restricted view-points of the various departments of the transport industry. Even the determining of the rates and tariffs has to come into line with the progress towards co-ordination and the development of State planning, whose ultimate goal is to satisfy the needs of the whole nation. Whereas in other countries the freight rates are invariably built up on the value and transportability of the goods, what they are doing in the Soviet Union is, by starting from Marxian principles, carefully to introduce tariff rates based on prime costs which will then tend to counteract the evil of the long haul. This procedure is designed to further the task of allocating the industries to such geographical sites as will render them most effective. The new codification of the rates is designed, for instance, to hinder the erection of textile factories away from the actual source of the raw material, to favour the local exploitation of fuel, and so on. It is further designed to correlate rail rates and waterway rates with the object of an improved utilisation of the waterways, which offer great possibilities in the Soviet Union. How far such principles can be applied to antiquated conditions is a problem that need not be discussed here. The general aim of the Russians at present is to increase the specific part played in transportation by the waterways and by automobile transport.

The methods adopted by the Commissariat for Transport against the various bodies are extraordinarily severe judged by our own standards, but appar-

ently they are directed mainly against the administrative organs. Cases of accident, traffic congestion and chronic disregard of the time schedule are dealt with in a draconic fashion. Accidents that have attracted public attention are used to serve as examples of mismanagement and to goad the employees into making bigger efforts. No word dare be said as to how far these mishaps are due to deficiencies in the equipment or are inherent in the system. Accounts published in explanation of the causes of the accidents are not infrequently tendentious. For instance, when it is a question of stirring up enthusiasm for industrial effort, one learns that 30 per cent of all accidents are traceable to the nature of the building materials and of the work accomplished, while on another occasion one reads that 70 per cent are due to carelessness on the part of the employees. Contradictions of this sort apparently have to do with the so-called self-criticism, which aims at an all-round increase in efficiency. Dismissal of executives (invariably Party members), infliction of severe punishment on defaulters, etc., are by no means of rare occurrence. On the other hand, as the administrative bodies have no authority to take disciplinary measures without the sanction of the *Edinonazhaly* and as the self-discipline of the workers has apparently been poor from the very beginning, the position of all those officials who occupy outlying posts is consequently bristling with difficulties and finds its expression in a general fear of assuming responsibility and initiative and in a general flight from these outlying posts into internal administrative service. Matters have been made still worse by the setting up of the *Chefztvo* (works inspection service) and the *Chistka* (cleansing service), whose tribunals, composed for the most part of ordinary workers, judge each individual case purely on its political merits and are given power to dismiss from service and even to disenfranchise those whom they find guilty. Furthermore, the service is hampered by those institutions brought into being by the Zamo-

kritika, such as the shock-troops composed of workers and students, the so-called light cavalry. Everywhere, under the conditions of transition that have obtained up to now, the class struggle makes its presence felt, and it is hard to say what conditions will endure after this period of transition.

The waterways in the Soviet Union are still in a very retrograde condition. The number of vessels lying idle, beyond repair or antiquated, is very large. Dredging operations are not persisted in as they should be in any of the waterways, with the exception of the stretch of the Volga from Nishni-Novgorod to Astrakhan. All the river and canal engineering works are showing signs of neglect. In the year 1929 the volume of waterway transport was 41·5 per cent of the railroad transport as against 61·3 per cent in the year 1913. The share of the inland shipping in the total volume of freight traffic amounted in 1913 to 36·2 per cent, in 1930 to 21 per cent. The Volga transport in 1930 was barely 60 per cent of the pre-war figure and the steamship traffic on the Dnieper only 40 per cent. In actual fact, during the last two or three years the inland shipping traffic has shown a big increase, from 20 million tons in 1929 to 51 million in 1930. Official statistics for 1922 put the total length of waterways at 220,107 kilometres in European Russia, and 115,363 kilometres in Asiatic Russia, of which 177,258 are negotiable and 68,948 are not, 89,159 being fully navigable. (According to other sources this latter figure should be 106,000 kilometres.) In the United States, only 77,000 kilometres are fully navigable. The total number of steamships and motorships amounted in 1931 to only 48·6 per cent and the vessels without automotive power to only 33·6 per cent of the pre-war figure. Loading operations are carried out with mechanical equipment only as an exception to the general rule, not more than 7 per cent in 1930. The composition of the goods sent by water has changed since the pre-war years. For instance, in 1928 grain

transports represented only 20·5 per cent of the pre-war figure.

The most important waterways projected in the first Five-Year Plan were: The Latzha–Kuben connection, the Beresina system, the Kama–Petchora and the Volga–Don canals. But they have not all been carried out; at least, not in the case of the Beresina system and the Volga–Don canal. Planned to be carried out in 1932 are the connection between Petchora and Indiga and the linking up of Moscow with the upper reaches of the Volga by altering the course of its upper reaches, thus bringing the capital in connection with the principal waterways of the country. In the second five-year period a number of rivers are to be canalised, including the Volga from Tver (Kalinin) to Nishni-Novgorod. The long-expected start on the construction of the Volga–Don canal is to be made in 1935.

In contrast with the railways, waterway transport shows a substantial diminution in haul from 772 kilometres in the year 1913 to 576 kilometres in 1928. This is attributed to the fact that the waterways are not utilised to the extent they might be. In the river and coast-wise shipping, which, unlike the railroads, has not become a monopoly of the State, private property interests continue to assert themselves despite persistent insistence on party political principles. This happens to such an extent that, owing to the inability of the State-controlled and co-operative bodies to adapt themselves to existing conditions, private enterprise is able to make headway at the expense of the State-managed industry. Frequent changes in personnel (an outstanding characteristic of the Soviet system, by the way) are said to be particularly prevalent in inland shipping. Cases are not rare in which the whole body of employees has been changed four times within one shipping period.

Restoration work in the ports has not yet reached completion. The Russian mercantile fleet in 1914 had attained a total tonnage of 714,000 tons, whereas the

ocean-going ships flying the Soviet flag amounted in 1928 to a total tonnage of only about 300,000 tons, that is, only 40 per cent of the pre-war figure. Harbour depths now conform again in every instance to what they were formerly, but quay lengths show a substantial decrease owing to the fact that in many places, notably in Leningrad, Novorossisk and Odessa, parts of the water-front have fallen into decay or become entirely antiquated.

In a line with Russia's tremendous possibilities is the incalculable number of problems in the domain of waterway transport, outstanding among which are those of the Dnieper, of the Volga, the Terek and the Manitch Rivers, the Kama–Petchora–Indiga connection, the Ural–Kusbass connection, and the water supply of the Kertcher Peninsula. Apart from this glut of new plans, cropping up again is the old scheme for a reorganisation and extension of the Marien Canal System, on which it is intended to resume work in 1932.

Prior to the inauguration of the Five-Year Plan nothing had been done to restore the country roads, light railways and other means of cross-country transport. The total length of the roads is roughly three million kilometres, of which 1,250,000 kilometres are in European Russia. The total road-borne traffic is reckoned to be about four times that of the railroad and waterway traffic, and the cost of moving a ton of goods by road to be 25 kopeks per kilometre as against 1·4 by rail. For the most part, the roads were in a bad state and under no sort of supervision in czarist days. In fact, road conditions constitute one of the most backward aspects of Russian economics. Every spring and autumn there occur the so-called *Bes-doroshy* and the *Rasputiza*, that is, the periods when the roads are impassable. On January 1st, 1904, in European Russia, there were 10,000 inhabitants to every 2·8 kilometres and 100 square kilometres to every 0·57 kilometre of surfaced roadway. (The cor-

responding figures for Germany were 45 and 53.) Only about 25,000 kilometres had been given a stone surfacing. Most of the good roads in the pre-war years had been constructed with a view to military operations and were subsequently conceded to Poland and other countries. It was intended to make up the leeway in road construction during the course of the next five-year period and to get the communes to collaborate in this task. The original capital invested in the roads is now only about 50 per cent of its value in 1913. It is proposed to get the industrial concerns to equip themselves for the production of road maintenance machines and to utilise agricultural tractors for road building during the period when they cannot be put to use on the soil.

Automobile transport in the Soviet Union was still in its infancy at the beginning of the first five-year period. The number of different types of cars to be seen on the streets was amazing. As everything is State-controlled, any form of competition between railroads and automobiles beyond the demands of public utility, is out of the question. In the first Five-Year Plan a subvention of 1,900 million roubles was set aside for new motor lorries, automobiles, spare parts, garages and workshops, and for the employment of skilled workers. Two big factories were turned over to automobile production in the course of 1932: the big plant in Nishni-Novgorod (Autogigant) and the automobile factory in Yaroslav. The former has already started operations. A rapid automobilisation of the Soviet Union is, however, severely hampered by the lack of suitable country highways. On October 1st, 1929, there were engaged in automobile transportation in the Soviet Union 17,368 automobiles. According to the control figures of the Five-Year Plan, this total was to have been increased by 19,350 in the course of 1929–30.

The conditions for the development of automobile transportation in the Soviet Union are by no means

by single-motored eight-seater planes of Russian construction.

Transport conditions in the Soviet Union are on the whole not very gratifying. The mere fact that the Soviet leaders are indulging in ambitious plans is no assurance of a speedy betterment. Favourable prerequisites for such a betterment are to be seen in the energetic and rigorous measures adopted by the Soviet Government, in the propitious land formation throughout the U.S.S.R. and in the unpretentiousness of its people. Political domination of every sphere of activity, the harrowing effect of the class struggle and other factors constitute, on the other hand, enormous hindrances. The Soviet Government, in its struggle for self-preservation, is trying to achieve big things. It may be that it is trying to achieve too much. It will need some time yet before transportation in the Soviet Union emerges from its difficulties.

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# INTERNAL TRADE

By Dr. Wilhelm Roellinghoff
(Moscow Correspondent of the Wolff Press Bureau, Berlin

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In no other country in the world is the interrelation between internal trade and foreign trade so pronounced as in the Soviet Union. The reason for this is to be sought in the dual nature of Soviet foreign trade. In the first place, the Soviets are eager to sell on the world market the goods they are producing in ever greater quantities, one might almost say from day to day. They want to convince the rest of the world that their State factories have outstripped the private factories of Europe and America, at least as far as quantity of output is concerned. Secondly, from the proceeds of this export they hope to get sufficient valuta or foreign exchange to enable them to purchase abroad the goods and machines they so badly need.

The truth is, the needs of the Soviet Union are tremendous and perpetually growing. On the other hand, the steady rise in the passive side of their trade balance is a matter that has been causing the Soviets a great deal of anxiety. It recently led to the adoption of measures that from a purely business point of view are hardly justifiable. They imposed upon themselves restrictions in the import of those goods they urgently need and at the same time went on increasing the export of consumption goods and primary products of which there was already a shortage on the domestic market.

It is clear that under such circumstances the domestic market is robbed of all benefits that should accrue to it as the result of greater industrial productivity, and the Soviets see themselves deprived of the possibility of guaranteeing a standard of national well-being in any way comparable to that prevailing in capitalist countries even in times of world economic depression.

Let us ignore for the moment the question as to whether a planned economy extending over a period of years has practical value or not. Plans as such have only a theoretical significance, since results alone can test ideas of this kind against realities. Economic history is not made by oracles and, as in the case of world history, it is only by looking back over the road travelled that one can discern a general plan of growth.

The Soviets start by assuming that it is impossible to draw an economic distinction between a foreign trade monopoly and a State-controlled internal trade. They further assume that their first duty in the sphere of internal trade is to see that the domestic market is supplied with sufficient quantities of commodities to enable the population to live.

One would naturally suppose, then, that the Soviet Government would do everything in its power to see that the fewest possible restrictions are allowed to encumber the distribution of the goods produced within its territory. Purposeful Government action would suffice in most countries to bring about such a state of affairs. But in the Soviet Union other factors come into play. In everything appertaining to living conditions the Government takes its cue as to what standard should prevail from directions rigidly formulated by the Party. The Party, with its Spartan outlook, has adopted the attitude that the needs of the individual should be made subordinate to those of the masses, in other words, to that vast class-less conglomeration of mankind spread over one-sixth of the earth's surface. As this great herd becomes more and more proletarian in character so the word " standard "

assumes transcendental significance. Everything is conceived, everything is carried out in accordance with some standard or norm. Each individual, whether he be Civil servant, worker or peasant, is regarded as a microscopic part of the State. Though superiority of intellect is recognised, it does not entitle its possessor to material claims of any kind. To have done something worthy of special esteem means simply to have done something of service to the great mass of the population, and when, as frequently happens, such service evokes special recognition by the State, it means that in this way the great mass is being made to feel what the State expects of each individual. To train the individual citizen to give of his utmost for the common weal is the chief aim of the Party. He who lags behind loses caste. Outstanding achievements are not recognised: a high standard is set and one is either up to the mark or below the mark.

Seen from this point of view, it follows that there should be an equal distribution of the goods produced. Surplus production would then be used by the State for handing out bonuses in sporadic acknowledgment of standard achievement and with the idea of impressing slackers with the fact that their work had not reached the mark consistent with the welfare of the entire community.

It might be thought that the recent introduction of the principle of payment by piece-work would strike a breach into the above system of graded remuneration. Such a conclusion is erroneous. It is still held that the work done by the individual as assigned to him by the Party must in every instance attain a maximum of performance. The introduction of piece-work is therefore just another aspect of that system of paying bonuses with a view to stimulating output. The Soviets realised that if they drew up a fixed schedule of wages the result would be the growth of a dronish attitude towards work, since, after all, it is very easy to call oneself part of the mass and, under the mask of

communism, pass on unsavoury jobs to someone else. The differences noted in individual output in the collectives for the same remuneration is the best proof that the Stalin wage reform is a move in the right direction.

But there is not much point in paying higher wages unless the State is able to assure those who earn more than others an opportunity to purchase correspondingly more articles of use. This presupposes that the factories are in a position to turn out more goods, that the selling trusts are supplied with sufficient stock to meet this extra demand and, finally, that the consuming public is freely able to convert money into goods at the stores. The problem from the point of view of internal trade is not how to fill the purse with chervonetzi as a result of increased wages, but how to prevent too many chervonetzi remaining in the purse because they cannot be exchanged for goods. Up to now the Soviets have failed to solve this problem. Their endeavours are therefore now directed towards a more rational organisation of internal trade.

To this end, the Government and the Party are cautiously setting out on an attempt to effect a reorganisation of the entire machinery of distribution. It is now fully recognised—as is shown by the way in which the matter has become articulate in the Moscow press—that bureaucracy in the Soviet Union has assumed such appalling dimensions that it can no longer be abolished by the application of sporadic measures. The Government and the Party are now convinced that there will have to occur a thoroughgoing alteration in the methods of handling and distributing consumption goods in order to put internal trade on a secure basis.

One of the outstanding defects of Soviet business management in the past was without doubt the employment of so-called Red Directors. These Red Directors were assigned to the big units of production, where they undertook to see that the Marxian principles as

interpreted by the Party should be kept uppermost in the mind of the workers, and should be the mainspring of all their efforts. They had further to see that strict account should be kept of the membership and activities of the political clubs and that a lively interest should be taken in the political discussions arranged by these clubs. Considering that these club meetings took place out of regular working hours, it is obvious that however ardent the display of Party enthusiasm, they really amounted to an extension of working hours. The fact that the shock brigades were sent by the Party into rural districts to goad on the workers did not help to make overtime of this kind exactly desirable. Indeed, these political encumbrances, inasmuch as they represented something more than voluntary service, restricted rather than furthered the production and distribution of goods. It is worth noting that no sort of industrial or business experience was demanded of these Red Directors. They were politicians who had proved themselves good agitators. A typical example was the assignment to Magnitogorsk of the highest office in the press department of the People's Commissariat for Foreign Affairs, where he was put in charge of political education.

The position became so untenable that, in the end, it was decided to do away with the Red Directors and to fight bureaucracy by placing greater insistence on the technique of business management. Every kind of political activity demands a sort of technique, but it does not follow that technique stands in need of politics. It was the recognition of this fact that enabled the Soviets to begin the work of reorganising the machinery of distribution. Once begun, the comb was applied with relentless energy. First of all, there was the cleansing of those Moscow organs that had exercised central control over internal trade. Inefficient or injurious employees were dismissed from office and even expelled from the Party. This was followed by similar cleansings in the big trusts. These measures

were not carried out in secret; on the contrary, they were given full publicity. The names of the dismissed persons, many of whom held high positions in those trusts participating in the distribution of consumption goods in the food-stuff, tobacco, textile and canning industries, were published in the newspapers, their shortcomings held up to scorn and their harmful influence upon the new social order ruthlessly exposed. The *Workers' Gazette* (Rabochaya Gazetta), the organ of the Communist Party in Moscow, made a regular feature of these exposures.

It was revealed that in a large number of these distribution centres conditions prevailed that threatened disaster. The despatch of perishable goods was particularly badly organised. Huge quantities of potatoes, for example, were left unprotected from the frost for days at a time before they were re-loaded; in another instance, many million tins of canned food that had been consigned to the lumber camps were stacked away at one of the distribution centres and simply forgotten. The grain-collecting organisations of the State farms were punished for failing to collect sufficient quantities of grain. According to official figures the collecting organisations had delivered up to December 1931 only 71·6 per cent of their programme. How far the insufficient delivery of grain to supply the needs of the population must be put down to defects in the organisation of the distribution will not be investigated here. The supposition is that considerable quantities slipped out of State control prior to distribution. This holding back of grain on the part of the producers may be chiefly attributed to the fear of being unable to supply their own needs. It is interesting to note that when the planned economic figures of production were discussed in the Council of the People's Commissaries, Sulimof, acting as chairman, scolded the grain-growers for the inferior quality of their product. In the subsequent negotiations it was disclosed that despite the fact that both industrial

and agricultural productivity showed a tendency to increase all along the line, production costs had come down only to a small extent. The discussion on this point in the Council of the People's Commissaries has made it quite evident that the Soviets will have to exert themselves to the full in their endeavour to provide the urban and rural workers with a better supply of primary goods.

Another fact revealed was that the expansion of the trusts stood in no sort of relation to the quantities of goods that reached the population. It deserves to be noted that in June–July 1931 the chief agricultural trusts controlled the following enormous areas of production: collective farms, 14·8 million hectares; cattle-rearing, 29 million hectares; sheep-farming, 15 million hectares; pig-farming, 16 million hectares; dairy farms, 2·2 million hectares. But it should be pointed out that despite this increase in production acreage there has been a noticeable decrease in the amount of products reaching the markets for the purpose of satisfying the immediate needs of the population. The conclusion to be drawn is that the Soviets will have to pay more attention to the task of setting up better connections between the producer and the consumer.

It is easy enough to produce figures to show that in the year 1937 the supply of primary articles will be twice or three times what it is to-day. But a mere calculation of this kind will not suffice to provide the population with a standard of living sufficiently high to enable it to put forth such efforts. The Soviet Union has the highest birth-rate of all European countries. But it has also an exceptionally high death-rate. The point is, any prediction as to the possibilities of supplying the population five years hence must ignore some of the most important factors. Current forecasts into the distant future can never be safeguarded against unforeseen eventualities.

The regular flow of goods from producer to consumer takes place in the Soviet Union, as in all civilised

countries, chiefly by means of the railroad. The strain put upon the railroads is shown by the fact that in 1930 the volume of traffic increased by 38·5 per cent over the previous year. There was a further considerable increase in 1931 and 1932. Because of geographical conditions the extension of the network of railroads in the Soviet Union is coupled with greater difficulties than in other countries. Much has been done to improve the main trunk lines, those vast stretches of railroad which, in czarist times, were not attended to with sufficient care and which greatly deteriorated during the years of revolution. Even in czarist times, most through-traffic was badly organised, and complaints of congestion at the junctions were frequent. It is a fact that until recently the Commissariat for Transport had quite failed to overcome these transport difficulties. Conditions remained bad until the Party intervened and ordered a cleansing in the Soviet apparatus of transport.

Apart from the sluggishness of the transport apparatus as a cause of the poor organisation of foreign trade, another factor is that the Soviets are unable to supply consumption goods in sufficient quantities to meet the demands of the population for even a minimum standard of living. Here, again, the cleansing undertaken by the Party with a view to defeating bureaucracy is an action of very considerable importance. The Soviets have realised the necessity for a new type of executive, not so much the type who prides himself on his Party membership and is able to give theoretical assurance that the general lines of the planned economy will be conscientiously pursued, but the type of practical business man. It will soon become apparent whether the Party can succeed in finding a sufficient contingent of this latter type to enable them to tackle this Sisyphean task.

As matters stand, the issue which the Soviets have to face in their endeavour to reorganise internal trade is how to simplify matters. Drastic action can alone

save the country from the disaster of a complete breakdown in the supply of the necessities of life.

What exactly is the position? The abolition of private trade had the effect of putting internal trade on an entirely new basis. Whoever purchases goods on the open market to-day finds himself in illegal competition with the State monopoly. The peasant who goes to town to peddle his eggs and his butter from house to house exposes himself to the odium attaching to speculation no less than the former capitalist who tries to sell to passers-by the last remnants of his household furnishings. The reason why the Soviet authorities do not round up all these petty sellers of goods is doubtless because they realise that the disappearance of this illicit trade would only aggravate the position created by the shortage of goods. Thus, private trading is not allowed, but it is tolerated.

Meanwhile, action is being taken by the State to extend the legal sale of articles of use, and a big-scale plan has been elaborated with a view to getting the co-operative societies to function as part of the State-controlled sales organisation. Some such scheme, it is believed, would enable the Soviets to put themselves in closer contact with the buying public. This decision is based on a resolution of the 17th Party Conference expressing the necessity for an extension of the exchange of goods in retail trade by utilising domestic resources, that is, those resources left over after the State has taken its allotted share. The new selling units are to operate in the towns and in the villages. The plan is built up on the presupposition that the industrialisation of agriculture will continue to make headway, and that the State farms as well as the collective farms will firmly establish themselves. It is apparently not intended to extend the basis of the State-controlled organisations already in existence, but rather to create new selling units endowed with a thoroughly private character. The idea seems to be to set up selling units which will not be official organs of the State-controlled

internal trade, but which will be allowed to do private trading under State supervision. They are primarily intended to meet the needs of the countryside.

What is the attitude of the Party towards this new venture? Undoubtedly, the Party has some concern for the general welfare of the population and would on purely humanitarian principles welcome an improved selling activity in town and village, but in the main it regards this experiment as an attempt to further the growth of industrialisation by holding out the incentive of material profits. The Soviets have discarded the idea that it is possible to build up trade when the incentive of profit is absent. This is an interesting development in view of the stock criticism which socialists are in the habit of hurling at capitalism, namely, that it allows the maintenance of the standard of living to be dependent solely upon an egoistical exploitation that finds expression in the desire for big profits; because it is quite clear that these new selling units of the State farms and collective farms will strive for the greatest possible returns. Moreover, the introduction of such selling methods will have the effect of inducing new members to join these co-operative enterprises as well as enticing back into their folds those members who withdrew because they were dissatisfied with the proceeds of their labour. Essential for the growth of a movement on these lines would be the assurance on the part of the State that the State farms and collectives would be left with sufficient quantities of their products to build up a sales organisation. Socialist discipline could not in itself achieve the desired results because, being based purely on sentiment, it cannot be converted into a material asset. On the other hand, it is conceivable that just by virtue of such socialist discipline greater quantities of goods would pass directly into the hands of the selling units to the benefit of the buying public.

The collectives engaging in retail trade are to sell at prices fixed by the State. In this way it is hoped to

avoid profiteering. Profit is to be the difference between wholesale and retail prices. Up to now this has been claimed by the State. The rôle that is being played by the State in this reorganisation of internal trade is thus quite apparent: it ceases to be entrepreneur, renounces all claims to act as intermediary between producer and consumer and merely contents itself to guard against any resuscitation of the New Economic Policy. The new sales procedure represents a departure from that over-tight centralisation of internal trade which has been responsible for the amassing of saleable goods at the few big trading centres, a state of affairs that resulted in an enormous waste owing to the lack of possibilities for distribution.

It will be apparent from the above that the Soviets are now endeavouring to conduct their internal trade into new channels. They are striving to set up direct connection between the producing centres and the consuming public. Naturally they are finding themselves greatly handicapped by the fact that long-distance transport in the Soviet Union is still in its infancy. The rapid transmission of goods from the place of origin to the consuming public is hindered by the state of the railroads and the disorganisation of inland shipping. Contracts actually concluded for the consignment of goods by ship fall short of the programme of the Plan for inland shipping. According to Plan, for example, the Volga, as the principal inland shipping route, was to take in 1932 a total cargo of 20·4 million tons. Contracts made with the various trusts show that in the first two months of the year only 1·6 per cent of this programme had been carried out. In the case of the Kama Basin the Plan for 1932 foresaw a total traffic of 6·8 million tons, but only 0·9 per cent of this programme had been realised by the end of the first two months. The other inland shipping routes, with the exception of those in the Ural Basin, have been used for the conveyance of cargo only to a small extent. As in the case of railroads, the progress

in the work of restoring inland shipping leaves much to be desired. As a matter of fact, the long distances make the work of reconstructing and maintaining the means of transport a task of extraordinary difficulty. Everywhere the complaint is heard that the factories either do not deliver the materials on time or fail to deliver them at all. The truth is that it is a sheer impossibility for the factories to supply all the needs of transport reconstruction, particularly in view of the lack of skilled labour.

In the foregoing we have attempted to show how the Soviets are doing their utmost to bring about a closer connection between industry and trade. Goods are to pass, whenever possible, directly from the place of origin, whether factory or farm, to the consuming public. All middleman activity is to be regarded with misgiving as a typical capitalistic institution. The middleman, wherever he appears, increases the price of goods and in this sense is to be looked upon as a sort of profiteer who places obstacles in the way of the healthy development of national economy. The trusts are to receive the goods from the factories and are supposed to pass them on to the consuming public at the same price plus a charge for overhead costs. This, of course, is a typical Marxian fallacy, since it is quite obvious that the State plays in turn the rôle of manufacturer, wholesaler, middleman and retailer. However much it may reduce production costs it cannot renounce profit-making, for the simple reason that it has to raise huge sums for investing in new enterprises and for maintaining its existing enterprises at a high level. Where otherwise could it obtain the billions of roubles necessary for this purpose? Every other possible method has been tried out to find the means wherewith to carry out the industrialisation of a country that has been almost exclusively agrarian for centuries. One resorted to a system of taxation whose tentacles were wound around those sections of the population who were unable to adapt themselves to the

new social order. Then came the period, beginning in 1917, when it seemed as though the new Soviet economic system would be compelled to capitulate. It might very well have done so had not Lenin performed the miracle of the New Economic Policy. At that time, all staunch believers in private trade were convinced that the Marxian State had bowed to the necessity of recognising capitalistic economic demands and that a new form of economy of enduring value had been created in the Soviet Union. Maybe Lenin did say at the time that all he intended was to build an emergency bridge and maybe he did have the idea of setting up new forms of trade. To-day the Party quite unambiguously declares that Lenin only intended to effect a temporary solution, in short, that he merely intended to give Soviet trade a breathing spell. Facts tell their own story. To-day the methods of Soviet internal trade are based on principles laid down in binding resolutions turned out by Party congresses. The best proof of the de-individualisation of trade is the creation of the co-operative societies, whose monograms are written up everywhere. There are now only collective enterprises, and it is indicative of conditions that there already exists a guide-book to help unravel the mysterious abbreviations that are to be read on the name-plates of the various selling organisations.

A substantial part of the Soviet retail trade draws its sustenance from the sale of articles produced by a flourishing home industry. There was a time when the Russian private home industry was to be found in the town as well as in the countryside. Peasant families in pre-revolutionary days earned a living by turning out articles for use in the households of the townspeople. Production of high-class and extra fine yarn, art lace and woodcarving and lacquer work gave employment to entire villages. To-day this home industry is dying out. It doesn't fit in with the Soviet system of collective work in factories and workshops, so that even the womenfolk have been obliged to put

aside the spinning-wheel and join the collectives. It was the same in the towns. To-day there is still to be found in Moscow a so-called home industry museum where are sold household articles of artistic value, lace goods, small tables, table covers, in short, everything associated with a Russian interior. But it is all no longer the product of individual genius; it is all machine-made and produced according to pattern. Wonderfully carved chess figures may, for instance, be purchased here at prices which, if not low, are also not exorbitant. The home industry has undergone a process of standardisation. It is a production for sale and quick returns. Here are to be seen the same original wooden toys as were formerly turned out by peasant artists in the villages. In this case it is not machinery that has killed handicraft but the method of mass production as demanded by the socialist outlook.

There remains to be said something about how the Soviets have organised the marketing of goods. Naturally, the most important factor in this connection is the organisation of the sale of such articles as are regarded as primary goods, for example, food-stuffs and articles of clothing. The sale of these in the big towns is rationed. From time to time a State commission visits each individual home and controls the inventory of the occupier. With much attention to detail it is ascertained whether this or that individual is entitled to full rights of citizenship. Only those persons who are not "Lishenzy," that is, persons who have been deprived of the right to vote or to be elected (former nobility, clergymen, former house-owners, former manufacturers, former officers and officials), receive ration cards entitling them to purchase food-stuffs, wood and clothing. All articles obtainable by means of these cards [1] are sold in the co-operatives on

[1] Latterly, in some instances, in the case of butter cards, for example, these have been replaced by a method of stamping acknowledgment of the receipt of the ration upon the back of the hand in order to prevent trading in these cards.

certain days at State prices, mostly extremely low. But it happens that the supply of primary goods available for distribution in the towns falls far short of requirements on the basis of the ration cards issued to the populace. What is the reason for this? Industry and agriculture have striven hard to reach capacity production. Yet despite all their efforts it has not been found possible up till now to supply the big towns, not to speak of the small provincial towns, with sufficient quantities of goods. It is idle of the Soviets to think that the socialistic State can overcome the difficulty by raising wages, thereby giving the populace the means wherewith to satisfy its need for food and clothing. Money as the wherewithal to satisfy life's needs comes into use only upon the assumption of the actual existence of goods. To be sure, the economic depression in capitalist countries effects a reduction in the power of the populace to increase its possessions, but then the question arises as to which is the greater evil, a shortage of money in the midst of a superabundance of consumable goods or a superabundance of money in the midst of a dearth of consumable goods. There is no unemployment in the Soviet Union. Germany has the misfortune of having six million workless. But these six million receive, even if only to a very restricted extent, the wherewithal to enable them to buy food. The Soviet worker gets a far smaller chance of providing for his material well-being, at least up to now. He has even great difficulty in obtaining his rationed quantity of consumption goods, quite apart from the fact that his requirements of such necessities of life as fish, fats, meat and clothing are modest in comparison with those of a worker in any of the capitalist countries. The way in which citizens of a socialistic State are prepared to get along with a modicum of life's necessities is a matter that verges on the miraculous.

Apart from the co-operatives where the populace makes its purchases of rationed articles there are State-

controlled stores for the sale of food-stuffs and other articles at prices fixed by the State. These goods are released for sale, that is, they may be bought without cards. But the prices demanded in these stores stand in no sort of relation to the purchasing power of the population, and this discrepancy will continue to exist even in the event of a general rise in wages. Butter at 10 roubles a pound will taste too highly-flavoured to almost anyone who is asked to pay this price for it. We shall refrain from giving a list of current prices of the goods offered in these stores, jocularly styled "museum shops" by native Moscow wit. The Soviet State caters for those who have hidden away their valuta or even gold coins, by erecting stores in which goods are to be had in exchange for valuta. In these stores Soviet citizens can now purchase genuine whisky or Californian fruit. The lover of antiques can here purchase objects in exchange for czarist "imperials," although he will run the risk that the finance inspector will be duly informed of such purchases and will levy a luxury tax on them when he makes his next call. These valuta stores do an excellent business, however. The "Torgsin" stores alone are said to have a turnover of about a million dollars annually. It needs to be remembered that most of the customers are foreigners who would be able to purchase the same style of goods at home for half the price.

The Soviets have set up special stores for the benefit of foreigners domiciled in the Soviet Union, that is, for the foreign diplomats, journalists and specialists. The goods to be had here have a fixed price schedule, but even in this case the attempt of the Soviet Government to keep prices at a steady level has met with little success, since latterly prices in these stores have likewise risen.

Summing up it can be said that industrial and agricultural productivity in the Soviet Union has shown a progressive growth as far as quantity of output is concerned. In so far, however, as the products of this

industrial and agricultural activity are not destined for export but are conducted into the channels of internal trade, that is, in so far as they are distributed to all parts of the tremendous Soviet territory, it will be a long time before the Soviet Government will be able to overcome all the obstacles which now stand in the way of a restoration of healthy trading conditions. Soviet internal trade and Soviet transportation have not developed to an extent in keeping with the rate of industrialisation. Yet the whole value of Soviet industrialisation lies, in the last analysis, not in the production of goods in sufficient quantities to build up a powerful export trade, but in the endeavour to raise the standard of living of the Soviet population. To attain this objective, the Soviets will first have to undertake a thoroughgoing reorganisation of internal trade and all functions directly or indirectly connected with the regulation and distribution of food-stuffs and articles of prime necessity.

# XI

# BUILDING AND HOUSING IN THE SOVIET UNION

By Hans Schmidt

(Swiss architect in the employment of the Soviet Government)

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Considered from the point of view of its requirements in material, labour and capital outlay, building enterprise ranks to-day as the most important field of industrial production. At the present moment the position in capitalist countries is characterised by a steady growth of building operations set going in all directions by an expanding building industry, but drawing their main sustenance from an active real estate market. That is to say, despite all attempts at some sort of State control and despite all co-operative initiative, building activity under capitalism still remains largely a product of speculation, responsive to all the crises and conjunctures of the capitalist system.

A socialised economy is predicated upon the belief that it is possible to change these conditions. But just where and how does the transformation take place and what is the clearly defined objective?

In the Soviet Union, socialism and industrialisation are conceived as parallel developments. All building activity is regarded as being intimately bound up with the process of industrialisation. Technical progress and new ways of organising building operations open up new vistas of achievement. *It is already quite plain* that the housing of the populace in capitalist countries has not kept pace with the progress made in modern building technique. New ideas are unable to win

through to realisation. The reason for this is not far to seek. It is to be found in the restrictions inherent in capitalist economy and in private ownership. Chief of these is the principle of the private ownership of land. Socialised economy has done away with these restrictions and faces new possibilities of improving the housing conditions throughout the entire country, of town planning and zoning and of establishing community settlements.

It is clear that the first thing a socialised economy has to do is to solve its housing problem. Slums must no longer prevail under a system directed towards the true objective of all rational productivity, namely, the preservation and betterment of living conditions. The liquidation of the capitalist system demands that this "inseparable part of the capitalist system" be likewise liquidated. For years, housing reformers in some of the leading capitalist countries have been urgently advocating cheaper homes as a means of doing away with the most glaring defect of the capitalist order. They were preordained to failure by the basic laws of capitalist economy, the right to unlimited private ownership and the principle of exploitation. They found themselves face to face with the reality of existing economic and social conditions. Thus, in Germany, to take a concrete example, housing accommodation in the big towns would suffice to give every person a room of his own, while in reality 80 per cent of this urban population is cooped up in small homes of one or two rooms which in size and degree of comfort are from 15 to 25 per cent dearer than the luxurious homes of the few.

Consequently, the first action in the domain of housing taken by the proletarian dictatorship is designed to bring about a more equitable distribution of existing housing accommodation. This will be followed by the condemnation of slums and the erection of new homes. New factors such as the liberation of the forces of production, the transformation of society and the new manner of living, now come into play and from this

point lead to the development of a new type of dwelling, a new kind of town and a new form of community settlement. Even in the sphere of home economics, utility services, transportation and the technique of urban and rural development, it soon becomes apparent that the final objectives here far exceed in conception all that has been accomplished up to now in the most progressive capitalist countries. How far has the Soviet Union, as the first big socialist State of modern times, succeeded up to now in realising these aims?

To give an answer to this question in the course of the following account necessitates an investigation of certain existing conditions which the Soviet Union had to overcome before proceeding to realise its socialistic ideas in the field of building and housing. It would be both wrong and unfair to ignore these conditions or to assume that the Soviets have failed if they have not straightway accomplished what they set out to do. Utopia becomes quiescent when ideas are being put to the test.

There are three distinct factors that determine the general standard of building and housing activities in any country: the strength of its industrial productivity, the quality of its working masses and its standard of education. The general standard of housing in pre-war Russia is best illustrated by the fact that 82 per cent of the entire populace were village dwellers and only 18 per cent were town dwellers. (The ratio for England and Germany is almost just the opposite.) In the Russia of yesterday, "living in the village" was synonymous with complete backwardness. From a technical point of view it meant the predominance of the wooden dwelling, the primitive type of log house produced by the handicraft industry, a house built with no other tools than the saw and the axe. Most Russian citizens living in the provincial towns also lived in wooden houses built in this fashion. Even to-day, about 86 per cent of the houses in Moscow are built of wood. Most of those houses which appear to be of

solid structure are simply wooden houses whose external walls have been given a covering of plaster or concrete. To be sure, Leningrad and Moscow had, apart from their public buildings, a number of big tenement houses, some attaining a height of twelve storeys and fitted out with modern conveniences, but these were exceptions.

The village supplied the building industry with its labourers. They were seasonal workers whose slowness and primitiveness were reflected in the aspect of the buildings they erected. The greater proportion of the structural parts was of village handicraft. There was no such thing as a big industry supplying building materials. Likewise the semi-feudal conditions prevailing during the czarist regime were inimical to the growth of a class of highly trained architects, engineers and technicians. Russians seeking to enter these professions mostly went abroad for their training.

Indicative of the tardy growth of building activity in pre-war Russia and of the paucity of the available industrial resources was the backwardness of municipal enterprise. Only a few of the big cities had a street car system and only the residential parts of these cities were blessed with a sanitary disposal of sewage, a proper water supply and high-grade roads. To-day, approximately 40 per cent of Moscow's streets have no sewage system and in some cases whole municipal districts are without any water-pipe system.

Compared with the living conditions prevailing in Western countries, Eastern Europe has always been in a state of backwardness. The Russian peasant had retained the living habits of the seventeenth century. An entire family was content to live huddled together in the single heated room of the home. They seldom thought of undressing, and slept on benches placed against the wall, in bunks, on the top of the stove or simply on the floor. The Russian industrial proletariat first made its appearance in the nineteenth century and was formed out of the impoverished section of the peasantry. Town life and work in the factory rarely

led to an improvement in their standard of material well-being; for the most part they remained peasants, going to work in the factory only occasionally, in which event it would fall to the lot of relatives to till the plot of land at home. In fact, during the czarist regime, Russian industry was able to employ and retain its workers under conditions comparable to those prevailing under early capitalism. Moreover, these semi-peasant workers were prepared to put up with the most primitive housing conditions. Down to the middle of the second half of the last century, most of the Moscow textile workers were in the habit of sleeping together with the other members of the family on the benches and floor of their workshops. Only skilled workers enjoyed the privilege of occupying a "home" of their own; that meant a room in a so-called "workers' barracks," and it often happened that even this "home" had to be shared with a second family. Apart from these "workers' barracks" the great majority of workers had to choose between occupying a cellar in one of the big tenement houses or a log house in the sordid outskirts of the town. As a general rule, these homes were simply sleeping quarters. According to Moscow statistics for the year 1912, as many as 26,788 such sleeping quarters were sub-let to 300,000 persons, that is, eleven persons to a room. Another survey of housing conditions, made about the same time, revealed that 70 per cent of the unmarried workers in St. Petersburg and 43 per cent of the married workers were housed in sleeping quarters. Very often these sleeping quarters simply consisted of a wooden bunk.

Following the triumph of the October revolution, the greater part of the privately-owned house property in the cities and towns was confiscated and made over to the local Soviet. The extra housing accommodation obtained in this way was then distributed in a pretty generous sort of way among the workers, and a general removal took place from the cellar lodgments and suburban log houses into the new quarters. In this fashion

in Moscow, for example, half a million workers were transferred to the centre of the town, formerly almost exclusively occupied by the bourgeoisie. To-day, 40 to 50 per cent of Moscow's working-class population live within the city's second zonal ring, as against 3 per cent in pre-revolutionary days. An estimate puts the total residential area of Russian towns at 160 million square metres; of this amount close on 74 million square metres had been nationalised by the year 1927–28. Why the entire residential area has not been nationalised is explained by the existence in all Russian towns of a large number of small log houses or shacks which the Soviets allowed to remain in the hands of their original owners or made the occupiers pay rent for them.

The housing accommodation made available as a result of this nationalisation of property was placed at the disposal either of the housing department of the municipal administration or of special "housing trusts," or, finally, of those self-initiated bodies known as house-renting co-operatives. Some of these housing trusts included as many as twenty-five tenement houses, which meant, considering the size of these Russian tenement houses, a small colony of several thousand inhabitants. Experience of the last several years, however, has put the big housing trust out of favour. To-day the Soviets are all for furthering the small housing co-operatives. The idea is to get every tenement house to form a co-operative of its own and be responsible for its own budget. All payments of individual rents would go into a common fund for the purpose of paying for the lease of the building, for amortisation and upkeep.

The period of the civil war and foreign intervention (1918–23) was a time of economic disruption. No country engaged in the world war suffered more in this respect than did Soviet Russia during these years. Towards the end of this period, the towns had 15 per cent fewer inhabitants than in 1918. Not only were

there no new houses erected, there was even an actual decline in the housing accommodation in the towns. The great housing shortage that arose during this period has not yet been overcome. This naturally worsened living conditions, especially as regards the quality of the homes. Then, during the period of reconstruction inaugurated by the New Economic Policy, the towns began to make headway again, so that by the year 1927–28, that is, when the inauguration of the Five-Year Plan saw the beginning in real earnest of the process of industrialisation, the urban population figures of 1918 had again been reached. The Soviets now found themselves confronted with another problem, however. A shortage of building materials made it impossible to proceed with the immediate erection of new dwellings. As a result the amount of floor space to which every individual was entitled decreased until it was less than the so-called " crisis norm " of six square metres per person. It would have required at that time an additional 46 million square metres of floor space to bring the norm up to 9 square metres, the so-called sanitary standard for Soviet Russia.

The period of industrialisation inaugurated by the Five-Year Plan gave rise to vast industrial housing developments in the big new towns and industrial centres. The consequent growth of urban population has proceeded at an enormous rate. Large masses of workers are now drifting back into the towns. For example, the population of Moscow, which had decreased from 1,618,000 in 1912 to 1,207,000 in 1920, increased to 2,800,000 in 1931, while new projects of industrial expansion foreshadow a further increase to 4 million. This process of urbanisation is now apparent throughout the entire Union, official figures showing that the urban population has increased from 26·3 million in 1926 to 33·9 million in 1931. In this movement the medium-sized industrial town is represented with an increase of 55 per cent, whereas Moscow has grown 35 per cent and Leningrad 38 per cent. Moreover, quite

a number of entirely new towns have appeared on the map.

It is estimated that at the end of the first Five-Year Plan the urban population will total 35 million. Judged from the current rate of development this figure is not put too high. This means that the urban population will then constitute 20 per cent of the entire population of 170 million. The Five-Year Plan of municipal housing calculated that to meet this growth it would be necessary to build an additional 62 million square metres of floor space. Of this total the socialised sector of housing enterprise would have to be responsible for 42 million and the private sector for 20 million (local materials being used in the construction of the smaller type of dwelling). There was also planned an increase of the present norm of 5·7 square metres floor space per person to 6·3 square metres. The capital outlay was estimated at 6 million roubles, reckoning the cost of construction to be 100 roubles per square metre. This aggregate fund supplied the means for financing the actual building operations and in the Plan is assigned as follows: 30 per cent to industry, 25 per cent to the house-building co-operative organisations, 8·5 per cent to transportation, 16 per cent to the local Soviets (municipal bodies) and 19·5 per cent to the private sector.

A noteworthy revival of building activity in the domain of housing occurred in the year 1924–25 and has since developed as follows:

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 1925: | 1,800,000 | sq. metres | floor | space, | or | approx. | 30,000 | homes. |
| 1926: | 3,200,000 | ,, | ,, | ,, | ,, | ,, | 53,000 | ,, |
| 1927: | 4,200,000 | ,, | ,, | ,, | ,, | ,, | 70,000 | ,, |
| 1928: | 4,700,000 | ,, | ,, | ,, | ,, | ,, | 78,000 | ,, |
| 1929: | 5,700,000 | ,, | ,, | ,, | ,, | ,, | 95,000 | ,, |
| 1930: | 6,500,000 | ,, | ,, | ,, | ,, | ,, | 105,000 | ,, |
| 1931: | 12,000,000 | ,, | ,, | ,, | ,, | ,, | 200,000 | ,, |

These figures show that the Soviets have embarked on a very extensive scheme for the improvement of housing conditions throughout the whole country. Neverthe-

less, it cannot be said that Soviet effort in this direction compares favourably with what is being done in progressive capitalist countries. Germany, for example, had an annual production of some 200,000 to 300,000 new homes prior to the outbreak of the world economic crisis. It is quite clear that the building industry in the Soviet Union is not yet strong enough to grapple with a housing problem of such vast dimensions, particularly since the Five-Year Plan imposes upon it other herculean tasks of still greater urgency, such as the construction of monster factories and power plants, reorganisation of the transport system and the establishment of public utility services. Consequently, however great may be the present need for housing accommodation, limits will continue to be set to all efforts to improve the housing situation until provision has been made for an adequate supply of building materials and for efficient transport.

Building activity in the Soviet Union has had to be placed on an entirely new basis since the Revolution put an end to all the conditions favourable to private enterprise in the field of building. The Soviets had to devise something to take the place of the private entrepreneur, the building contractor and the architect. They had to devise ways and means of co-ordinating all their building activities. To this end, within each specific area all building operations were entrusted to the big building trusts. Each of these building trusts has its own sphere of activity. The building trust for housing and public utility services is generally subject to the authority of the local municipal Soviet. There are other trusts for the erection of factories, commercial buildings, farm buildings, as well as trusts for canalisation, for road-making and so forth. Special organisations are formed for carrying out the construction of big-scale industrial combines. Special planning trusts work in close collaboration with these building trusts and, in fact, draw up the plans in all their details on the basis of the general scheme of distribution.

The building contractor has practically disappeared, although small building operations are still carried on in the villages by handicraft units working on co-operative lines. There are only a very few professional architects in the Soviet Union working along independent lines. This system enables planning to be concentrated largely on the big undertakings and favours that centralisation of operations so necessary in view of the lack of technical workers. So far no definite action has been taken to concentrate all building operations in the hands of a special people's commissary. They are subject to the control of the various people's commissariats. Thus the erection of a big factory is under the supervision of the People's Commissary for Heavy Industry, the erection of agricultural buildings is under the supervision of the People's Commissary for Agriculture, and so on. The organisation of building operations is greatly handicapped by the shortage of skilled workers and trained technical personnel. This shortage makes itself particularly felt when it is a question of executing monster projects. Another great drawback is the difficulty of obtaining the requisite supply of building materials. There is a shortage of bricks, cement, iron and seasoned timber. Then there are those further difficulties that make themselves felt during the actual operations. Most of the workmen are enlisted in the villages. They are small peasants who can be employed on only the most primitive jobs, and, as they can use only the most primitive type of tool, it stands to reason that building methods throughout the Soviet Union are on the whole anything but up-to-date. The years of disorganisation destroyed the class of experienced craftsmen that existed before the Revolution. Then, again, in view of the great distances in the Soviet Union, centralised planning is able to exert only a small influence over the actual building operations, so that, as a rule, control is only slight. All these factors play a large part in determining the average quality of the buildings.

Building activity in capitalist countries is dependent for its vitality to a large extent on the vast number of privately-owned medium-sized building concerns and small building units. Behind these are a wealth of experience and a host of trained workers. It is no longer possible for the Soviets to proceed in this direction, of course. It would be in keeping neither with the structure of the proletarian State nor with its planned economy. What is more, it would not help them to cope with their monster tasks which imply the application of other methods. Undoubtedly, the Soviets have not advanced sufficiently to be able to dispense with local initiative in building activity, however primitive in its methods. In the first place, they have to concentrate their efforts on the big tasks in hand. Secondly, they are still faced with difficulties of transport and are too greatly handicapped by a shortage of building materials. On the other hand, the Soviets have learned by experience that local initiative can be of little service in helping along the process of industrialisation. Consequently, they argue that with time all building activity will have to fall within the programme of industrialisation.

Primarily, the Soviets understand a mechanisation of building operations to mean a simplification of work on the building site as the result of an extensive use of highly-finished building materials. This entails standardisation, adoption of up-to-date building methods and highly-equipped factories for the production of improved building materials. Building research institutes in the Soviet Union have for years been investigating the practical and theoretical aspects of this problem. Various sets of standards for the building industry have been sent up by a commission formed by the Council for Labour and Defence. Plans of special types of dwelling and construction elements have been issued. Investigation has been chiefly directed to the selection of new building materials combining lightness and high fire-resisting quality as a determining factor

in the question of building methods. Climatic conditions have to be taken into account far more than in West European countries; for example, outside walls have to be $2\frac{1}{2}$ bricks, or 62 centimetres, in thickness. Materials most in favour at present and most successful so far are big slabs composed of clinkers and diatom earth (trepel), slabs of compressed wood shavings (fibrolith) and compressed flax by-products, and slabs of compressed peat, straw and reeds.

A central trust has been formed for the practical realisation of plans of industrial construction. There are also local trusts called into being for the same purpose. Factories for the production of the requisite new building materials have been erected in the heart of the building development area and building yards have been set up at the seat of local operations.

Every move the Soviets have made towards industrialisation has resulted in a great increase in the demand for housing. With new towns springing up in all directions it was obvious that they would have to resort to other methods than those usually adopted for overcoming a housing shortage. The planning of monster industrial enterprises entailed schemes for finding in a short space of time housing accommodation for vast armies of workers. It has actually happened that the number of workers engaged on these monster projects has exceeded the estimated population of the future town, so that the housing of these workers called for special efforts. A similar problem was the housing of the scattered mining communities in the coal-producing areas of the Donetz, Urals and the Kusnetzk Basin. It is interesting to note that a promulgation of the Central Committee of the Communist Party issued March 25th, 1931, calls for the immediate erection of the greatest possible number of standard wooden dwellings so as to speed up the fulfilment of the housing programme.

The production of standard wooden dwellings capable of being transported in sections and easily remounted

had been introduced into Russia previously, though only to a small extent. The method most in use is to piece the house together out of standard-sized slabs consisting of a framework, two or three exterior and interior encasings and a filling of some insulating material. As a rule, the slabs are one story in height and from 1 to 1½ metres wide. It is a system much favoured in Sweden. Other kinds of wooden dwellings produced in Russia include the American type of shanty with panelled walls of standard size, and the Swedish log house, the logs in this case being placed upright.

The building programme for the production of standardised homes in the year 1931 was only partially fulfilled. It was found impossible to overcome the many obstacles. Production was divided up among too many small factories using out-of-date methods and poorly equipped with timber-working machinery. Some of these factories had no drying chambers. In addition to this, there was a lack of organisation in the despatch and transport of the finished goods. Yet despite these initial difficulties, sufficient progress has been made to confirm the Soviets in their belief that the construction of standardised dwellings provides the best solution of their housing problems and they have already accepted the factory-made mountable kind of house as the ideal home for the industrial worker of the future. To this end, the factories are urged to give greater attention to quality and precision and as far as possible to combine wooden structure with the use of large-sized slabs of the new building material. The building programme for 1932 foresees the construction of nine million square metres of floor space in standardised homes, while it is further estimated that by the year 1936–37 as much as 75 per cent of the entire programme for the construction of standardised homes for the population of the U.S.S.R. will have been completed. The small saw-mills and factories that have been supplying these houses up to now are to be replaced by big house-building combines. The first of these

is the Lopatinsky Combine now under construction on the banks of the Volga. This combine covers an area of 68 hectares and consists of a whole series of workshops embracing the entire process of house construction. In collaboration with another factory situated in the vicinity, it will undertake to deliver housing accommodation to a maximum amount of one million square metres of floor space per annum, representing approximately 30,000 houses.

For reasons already stated, the Soviets were unable to look to pre-revolutionary Russia to supply them with any suitable type of worker's dwelling. The only type of worker's home they have inherited is the one-story shack or log house, mostly in the form of the semi-detached house such as is still being erected, particularly in the Ukraine, where the worker is in the habit of tilling his plot of land as an additional occupation. The two-story cottage type of one-family dwelling seen in innumerable industrial housing developments in Western Europe, mostly in imitation of the English cottage home, has not found favour in the Soviet Union and probably never will do so.

The only kind of worker's dwelling that can in any way claim to have arisen out of housing conditions in Russia during czarist times is the tenement house modelled more or less on the workmen's barracks formerly erected for housing textile workers. This is the "Communal House" with its one-room flats arranged on either side of a long corridor. For the most part these one-room dwellings are occupied by unmarried persons. In its latest form the "Communal House" is provided with a common dining-room and a "red corner." Also modelled on the workmen's barracks of former times are many of Moscow's new tenement houses with their one-room and two-room flats. Sometimes the central corridor is fitted out with additional conveniences of living, in that every two families share a kitchen and a lavatory. It is a type of house that has possibilities of being improved upon

in the direction of the American apartment dwelling, but in its primitive Russian form it has failed to become popular with the Soviet populace and as a type of multi-family dwelling it has gone out of fashion.

To-day, preference is given to various types of multiple-dwellings, generally four to five stories in height and housing two or three families on each story. The great majority of recently-erected buildings of this kind are equipped with central heating. The design generally adopted is similar in many respects to that type of tenement house which contains many families under a single roof, so common in Central Europe. But whereas the workers in Central Europe live in small-sized flats, the Russians show a marked preference for the larger type of flat. This is indirectly attributable to the housing shortage and the lack of modern conveniences which obliges several families to share a home which under normal conditions would be too large for a single family. Latterly the Russians are showing a great liking for the small standardised apartment containing up to 35 metres floor space.

Is the single-family home compatible with the mode of living under a socialist regime? Should home economics conducted on individual lines be tolerated in a socialised society? Housing in the Soviet Union has to face these additional problems. It is clear that when the family ceases to be regarded as the basic unit of production, when not even the family life of the peasant is left intact, home economics loses all significance. Other factors are also at work tending to disrupt the family. There are, for example, the inevitable concomitants of industrialisation, such as a declining birth-rate, greater employment of female labour and a greater measure of independence for the younger generation. Furthermore, collectivisation aims at making the State more and more responsible for supplying the conveniences of living. From the point of view of housing this is a development not confined to the Soviet Union, since even in those capitalist

countries where family life is regarded as a sacr heritage there is a distinct trend to do away wi home economics by the erection of multiple-dwellin with accessories and amenities for use in common.

There has been much controversy in the Soviet Uni during the last few years as to what should be the ide form of dwelling in a socialised society. Radic opinion is demanding the abolition of family life ai consequently the abolition of individual housewifer There is a strong movement on foot in favour of t housing schemes or block dwellings designed to provi housing accommodation for 600 to 3,000 persons, ai so arranged that every adult would have a private roo large enough for the purpose of rest and recuperatio while all the other component elements of the hou would be shared in common: a common mess hall with "restaurant" kitchen, a common library, and roon for gymnastic exercises, study and so on. Tl children would be housed, in accordance with their ag in the crèche, the kindergarten or the boardii school with which each housing scheme would l equipped.

This movement has found vigorous support amoi the younger workers, notably the Komsomols and tl students, and has given rise to many projects. Tl outcome has been a decision in high quarters in favoı of two definite forms of dwellings, the housing commuı and the communal house. A housing commune com into being when a number of workers and worker families decide to pool their earnings with the obje of running a communal kitchen for their own exclusi use and for providing special rooms for their childre The communal house is the architectural realisatic of the same idea without entailing the necessity of pooling of the earnings. A communal house designe on these lines and equipped with common mess hall club rooms, crèche and kindergarten was erected i Moscow in 1930. It was built on a co-operative basi Similar houses have been erected elsewhere and it

now the form of housing that is being adopted in the construction of the new cities.

Yet, contrary to expectations, the Soviet populace has not hailed the triumphant advent of the socialist form of dwelling. It was quite patent that this could not happen. Even the Soviets themselves have pronounced against a too rapid growth of the communal house. Local habits and customs do not favour a too hasty and a too violent introduction of a different manner of living. It is not that the Soviets are showing any inclination to return to bourgeois ideas in housing matters. The true reason is to be sought rather in the present state of cultural conditions throughout the Soviet Union.

The fact is, the Soviets are confronted with the task of improving general living conditions in a very backward country and consequently the entire housing problem can be regarded only as one aspect of this task.

Housing ideas are mostly the result of racial habits and customs and are not easily transplanted. The English or the Dutch, for example, have their own way of living as expressed in their modern urban dwellings. These products of rationalised economics and standardised manufacture were unknown to the working masses of czarist Russia, who were seemingly content with a human habitation not far removed from the most primitive form of dwelling. It is indicative of the feudal conditions prevailing in those days that even the Russian propertied classes did not adopt Western democratic or capitalistic ideas of housing, because they had so many rooms and so many servants at their disposal that they did not concern themselves with questions of home-making or with problems of housewifery. The housing of the working classes had not yet become a national problem; there was no home culture in the bourgeois sense.

Consequently when the Soviets undertook to improve housing conditions throughout the Union they had to begin right at the bottom and take full cognisance of

methods of living that no longer prevail in highly industrialised countries. They realised that they had to do far more than to take those sections of the working class that were already reaching out for better living conditions and house them in new forms of dwellings. It is a fact that throughout the Soviet Union to-day the process of industrialisation is embracing the greater percentage of those sections of the population that had known only the most primitive conditions of living; for example, the peasant, the roving worker and even the nomad. Undoubtedly these people were already accustomed to a collective form of living, but that was only because they were compelled by circumstances to share the bare necessities of life. The manner of living envisaged by the Soviets is predicated, not upon want, but upon a socialised economy built up on a flourishing industrial life. They aim at establishing for the workers modern living conditions entirely liberated from the spectre of want. They desire to bring about a mode of living founded on mutual help and calling for individual initiative in the cultivation of human relationships without which collective life is unthinkable.

To achieve this new mode of living is the task on which the Soviets are now engaged. It is the ultimate objective of their big programme of industrialisation, just as it is the ultimate objective of their work of enlightenment. They have to educate the masses, but it is still more important that they should provide them with decent homes. And in solving their housing problem they can afford neither to neglect the trial of any possible path of development nor to try to reach their goal by any short cuts. The mere fact that they will have to deal not with individuals but with collective units presupposes greater regard for the interests of each individual and a greater sense of responsibility. As a case in point, it has now been decided to advocate the abolition of the home kitchen only when the workers can rely on a well-conducted communal mess hall to give better and more hygienic results. Similarly, it has

been decided to wait a while before proceeding to the abolition of housewifery, in order to let the workers realise what it means to " run a house."

The nature of the new social and technical tasks confronting the Soviets as they proceed towards a transformation of society becomes most apparent in the domain of town planning. Here socialist integration has broken new ground. The first big projects on which a start was made two years ago have been partially completed. To-day Magnitogorsk, Kusnetzk, Avtosro and other places are samples of Soviet achievement in the sphere of town planning, while a beginning has been made on innumerable other projects. At the same time, municipal reconstruction in the sense of re-planning and improved utility services is proceeding in practically every big town throughout the U.S.S.R.

Briefly, socialistic town planning is based on the following factors :

1. Free disposition as a result of unlimited right of control over socialised land properties.
2. Unified character of town planning with the object of satisfying the requirements of the working class.
3. Planned network of public utility services, planned educational system, cultural institutions, parks for recreation and recuperation.
4. Closer contact between the planning of big housing developments and industrial zoning.

As the erection of practically all the new towns in the Soviet Union and the re-zoning of the older towns have been undertaken in connection with the realisation of big industrial projects, it follows that Soviet town planning is secondary to industrial planning and zoning. Emphasis should, however, be placed here on the vastness of the Soviet industrial projects. In addition to this, most of the big factories are linked together in combines, which means that town-planners

have to arrange for the housing of 10,000 workers and upwards, or to build towns for the accommodation of an industrial population of anywhere from 30,000 to 100,000. Even so, efforts of the town-planner in the Soviet Union are being directed towards decentralisation and better zoning. A group of radical Russian architects is demanding an entire departure from the usual practice of concentrating the industries in the big towns, arguing that the possibilities of power transmission have now prepared the way for a period of decentralisation. It is interesting to note that the Soviets find this argument much to their taste, since it is one of their greatest ambitions to establish greater contact between urban and rural life, between industry and agriculture. Zoning projects of this kind open up far greater possibilities in the Soviet Union than they would in capitalist countries. There is, however, no intention at the present to bring about an entire breaking up of town life such as Marx and Engels are said to have advocated. The town plays still too great a part as the centre of the country's entire economic and political life, and from it spring the forces that are directed towards a reorganisation of rural conditions throughout the entire Union.

It is illuminating to note the wholly new aspect presented by these socialistic towns which have been planned in all their details and set up within the space of a few years. It is particularly interesting to note how the communal services are beginning to supplement the part played by the individual cells of home life and how methods of living are being fundamentally changed by such institutions as common mess halls, workers' club houses, educational institutes, communal laundry establishments, communal clinics and so on. While fully providing for a certain period of transition, all these buildings are erected in such a fashion that the town, when completed, will present a picture of a uniform system of perfect communal supply. In other towns the building programme includes the erection of

communal multiple-dwellings as well as houses with private amenities and conveniences. A start has also been made in the building of so-called transitional types of dwellings designed to prepare the populace for the change in the mode of living from the individual to the collective form. It should be noted in addition that most of the important new towns are equipped with a long-distance heating system based on considerable experience in Moscow and Leningrad.

Thus it will be seen that new forms of industrial housing developments are being evolved throughout the Soviet Union. On the other hand, no new forms of housing have yet been discovered in the sphere of industrialised agriculture. The Kolkhoz has simply taken over the housing accommodation already existing in the villages. These collectivist agricultural enterprises have neither the organisation nor the finances to build anew and they content themselves with the erection of schools, special buildings for housing the children, and club buildings. Individual examples of collectivist agricultural enterprise, such as the "Gigant," clearly show that the new phase in Soviet agricultural development will lead to the creation of industrial centres which from the point of view of town planning will be much along the same lines as the industrial housing developments; indeed, it is quite likely that the future will see a co-ordination of these two developments.

# XII

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(Moscow Correspondent of the *Tribuna* and *Stampa*)

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The Soviets have always regarded their treatment of social questions as a kind of show piece of Bolshevism. When they first took over power, they promised a radical solution of social problems. This was to be effected by setting up an entirely new social legislature and new forms of social welfare and social aid. They based their assumptions on the Marxian principle that the destruction of the existing social order was a necessary preliminary to the creation of a classless society to be attained by way of the dictatorship of the proletariat.

The Bolshevist regime has, in fact, succeeded in creating a new type of social legislature and new forms of social welfare. What is the real nature of this change? How do these new forms function? And what advantages have they brought the workers in the Soviet Union?

Essential for an understanding of this problem is a knowledge of the legal and social position of the various categories of workers in the Soviet State.

Under the Soviet regime the worker as such enjoys a favoured position with respect to legal and political rights. This preferential treatment of the worker extends into the domain of social welfare. It is the logical and inevitable upshot of the Revolution as conceived and realised by Lenin; it is the product of Bolshevik doctrine and Bolshevik practice. It arises out of the nature and activity of the Soviet State, since

everything is conditioned by the working class, everything is organised to function in the interest of this class, everything is made subordinate to it and brought into relation with it.

To be outside the pale of the working class, even to be a member of that great mass of people who live by their labour and yet who are not allowed to call themselves "workers," is to be doomed to extinction. This mass is submitted to a process of material and psychological disruption until in time it emerges as part of the only class recognised by the Communist State, the only legitimate class, namely, the working class. For this reason the rights granted this section of the population by the State, particularly the social rights, are restricted in proportion to the disruptive pressure exerted by the State. Intellectual workers and Civil servants, for example, who were among the first to undergo this process of attrition, have been able to emerge sooner than other sections and are now included in the Soviet system and enjoy the benefits of the institutions created by the Government for social care and welfare. But always and in all things the working class ranks first; only in special instances are members of other classes, engineers and specialists, for example, put on the same footing with the workers. On the other hand, the great mass of peasants has little more than a distant prospect of attaining to the status of the working class. The road to this goal lies by way of collectivisation and on the assumption that the rights to social care be acquired little by little. Nevertheless, it should be frankly stated that Bolshevist social legislation now extends in many matters practically without exception to the great mass of citizens. In the same way, cultural benefits and privileges are extended beyond the factory and the town to the countryside, although in an unequal degree and not always with success. Most of these so-called cultural drives into the countryside are political campaigns pure and simple. Actual regard for the welfare of the individual on the part of the

State is a matter entirely dependent upon economic and social factors. Measures of this kind are looked upon by the State as a sort of premium to be distributed in the preferential manner. In the course of our account we shall try to determine whether a social gradation has manifested itself in the form of a recognition of the right of the individual worker to higher wages and social privileges as the reward for greater output and greater capabilities; in other words, whether inequality has established itself again under the Soviet system.

According to official figures the population of the Soviet Union amounted in 1932 to 165 million, of whom 35 million are living in towns, while 130 million are distributed over the countryside. Of these 165 million there were registered as workers and employees 18,108,000, of whom 5,414,000 belonged to the class of industrial workers. In 1931–32 the number of workers and employees increased by approximately 20 per cent.

The Soviet social legislation is designed to benefit the working class. It is therefore necessary, in an investigation of this sort, to view the whole matter from the point of view of the individual Soviet worker. What is the average length of his working day? What wages does he get? What are his labour methods? How does the State look after him? It will be necessary to consider the social insurance system, the functions of the trade unions, the position of engineers and specialists, the position with regard to women and child labour, the question as to whether unemployment exists and the possibilities of combating it, the living conditions of the workers, and, last but not least, the mentality of the Soviet working class and its attitude towards toil in general and towards the regime.

In what way is the legal working day to be regulated in the Soviet State? This question has often been thrashed out by the Soviets and the Party, and ideas on this point have undergone various modifications. Previous to 1928 the legal day was regulated according to the principles set down by the International

Labour Bureau and applied in general to most capitalist countries; that is, it was decided to abide by the eight-hour day. In 1929 the idea of a seven-hour day found favour with the Soviets. They had certain weighty grounds for introducing it at the time. In the first place, they wanted to show the world proletariat that the Soviet Union was able to achieve a shorter legal day for its workers. Secondly, it kept the spectre of unemployment out of Russia. The reduction in the number of working hours enabled the Soviets to find work for everyone. Though from a political point of view this was doubtless a very clever move, its results were not very favourable, since it put a brake upon production and hindered the growth of individual concerns. For this reason, only a few of the big production units responded to the Government enactment, so that the seven-hour day was slow in gaining ground. Moreover, in order to reduce the total annual number of working hours the Soviets introduced the five-day week, that is, a day of rest to every four work-days. The economic loss was to be counteracted by the decision to run the machines continuously. This was to be brought about by dividing the workers into six groups, so that there would always be five groups working and one resting. But it soon became apparent that this regulation had its drawbacks, and the five-day week very soon gave way to the six-day week with one general day of rest. Sunday had been definitely abolished by the five-day week. On the other hand, many holidays of a religious and national character enjoyed by the proletariat in capitalist countries do not exist in the Soviet Union. There are only three official general holidays: the anniversary of Lenin's death, May 1st, and the anniversary of the October Revolution, the two latter being two-day holidays. But the absence of official holidays is more than offset by the introduction of the six-day week.

As private initiative and private enterprise have been suppressed in the Soviet Union, and as all work is

regulated in accordance with socialist principles, there is an entire absence of all incentive in the direction of profit-making. Consequently the Soviets had to seek in the new conditions of employment and the new forms of labour some other incentive to work than that which obtains in the capitalist countries. During the era of the New Economic Policy, when private trading was permitted, if only within limits, new socialistic forms of labour and methods of work were not an urgent necessity. The first attempts to create a new incentive to work were made prior to 1927. By the year 1929 the experiments had advanced sufficiently to enable the Soviets to elaborate a new system. This was the system of "socialistic competition." It first assumed the form of a challenge put out, say, by a factory in Leningrad to a similar factory in Moscow, ostensibly to produce more and better goods within a specified time. A more organic form was given to this socialistic competition in 1928–29 by the introduction of a system of "agreements between factories." In these agreements one factory pledged itself to deliver on time to another factory the full quantity of goods ordered by the latter. This second factory then entered into an agreement with a further unit of production or distribution, and so on. In 1931–32 socialistic competition entered upon a third phase in its development as the result of the extension of the system of agreements to include collective agreements, still following the same purpose, namely, to mobilise socialist enthusiasm. It was in this way that the "Shock Brigades" came into being. These shock brigades were formed to set an example of intensified activity. At about the same time were formed the "Pepping-up Brigades" to spur on those who failed to make the pace, the "Operation Brigades" to promote a better collaboration between the various departments of the factory, the "High Standard Brigades" to effect an improvement in the quality of the goods, the "Rationalisation Brigades" to promote a more rational activity, and the "Administration Brigades" to super-

vise the general management of the factory and to suggest improvements. Official statistics put the number of workers belonging to the shock brigades, styling themselves *Udarniki*, at over three million. They represent a category of workers enjoying special privileges over and above those that accrue to them as members of the Soviet proletariat. The shock-brigade workman occupies a foremost rank in every sphere and in every respect; he is better off materially and is given a higher social standing. He also receives a special identity card.

These privileges are conferred as premiums. Still, are not these premiums, held out to the *Udarniki* as an encouragement to give of their best, tantamount to a system of rewards? And is it then not a mistaken notion that in the Soviet Union all incentive reposes on a different basis and bears a different character from that prevailing in capitalist countries. Is not the mere fact that these shock-brigade organisations exist, the mere fact that they have been made necessary, proof enough that the masses in the Soviet Union as a whole lack incentive of any kind? It is difficult to ascertain whether this new form of factory discipline fulfils its purpose. That the Soviets can point to concrete achievements is borne out by the fact of its retention, by the high hopes the Soviets still continue to place in it and by the results of the Five-Year Plan. Although some branches of industry have lagged behind, others have exceeded their original programme. Undoubtedly the *Udarniki* have made a substantial contribution towards this success. Still, according to no less an authority than Stalin himself, there are grounds for believing that these new labour conditions and methods have not proved sufficiently effective, so that the Soviets will have to continue their quest for a socialistic incentive equal to that of capitalistic countries. As a matter of fact, as we have shown, Stalin's introduction of the "pepping-up" organisations is a return to the much-decried system of rewards, and thereby to the old principle of higher wages for better work.

As a general rule the worker in the Soviet Union gets his wages paid out to him in money. This form of payment for work was replaced during the period of militant communism by the system of paying wages in kind, a system that was discarded when the New Economic Policy again allowed money to perform its proper functions. The wage is fixed on the basis of a collective labour contract between the trade union and the employers. The People's Commissary for Labour determines what shall be regarded as the minimum wage.

Wages are divided into categories. There are four categories for unskilled workers, five for skilled workers, four for specialists of the lower grade and four for high-grade specialists. The following table shows the official grading:

| | *Unskilled workers.* | | | | *Skilled workers.* | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Categories | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Coefficients | 1 | 1·2 | 1·5 | 1·8 | 2·2 | 2·5 | 2·8 | 3·1 | 3·5 |
| | Specialists of the lower grade. | | | | High-grade specialists. | | | | |
| Categories | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | |
| Coefficients | 4·2 | 4·6 | 5 | 5·5 | 6·2 | 6·7 | 7·2 | 8 | |

The medium tariff laid down for the monthly salary of employees in the towns of the U.S.S.R. in the last several years is as follows: 74·6 roubles in 1927, 80·6 roubles in 1928, 85·6 roubles in 1929, 91·2 roubles in 1930. The medium tariff of the monthly wages of industrial workers in the last few years is as follows: 64·64 roubles in 1927, 70·94 roubles in 1928, 77·65 roubles in 1929, 83·30 roubles in 1930, 97·83 roubles in the third quarter-year of 1931. It will be immediately observed from these figures that there has been a steady rise in the wages of the workers and in the salaries of the employees, amounting to as much as 80 per cent, corresponding roughly to the increase in the cost of living. This rise in wages, however, is a direct outcome of an increase in the price of goods,

caused in the main by the progressive devaluation of the rouble.

The real wage earned by a worker in the Soviet Union on the basis of his productivity cannot be measured by his money wage alone. In almost every instance the worker is in receipt of additional values, mostly in the shape of social services which, although less tangible, are a form of remuneration to which the worker has just as much right as to his money wage. In Soviet parlance this is called the "social wage."

What, then, are the principal social benefits conferred by the Soviet State on its workers, and wherein lies the significance of these benefits? In the first place, there are the rest homes and sanatoria. In 1931 a sum of 96 million roubles was expended to enable insured workers to make use of these institutions. In the same year 790,400 persons were sent to the rest homes and 110,000 to the sanatoria. It is predicted that in 1932 these figures will be increased to 1,333,000 and 187,600 respectively. The working class participated here to the extent of 90 per cent. This seems to be an exceedingly high percentage, but not when compared with the total number of workers in the Soviet Union. In the second place, there are services for medical attention and prevention of disease, for which a sum of 950 million roubles was allocated for the year 1932 alone. In addition to this, there are the sums paid out for the construction of working-class houses, shelters, schools, libraries, etc. According to official figures, the social wage of the Soviet worker represents a value equal to 24·4 per cent of his money wage and is apportioned as follows: social insurance 9·5 per cent, training 5·2 per cent, stipend during instruction 2·1 per cent, cultural organisations of the trade unions 2·4 per cent, medical aid 7·3 per cent, fund for social well-being 0·9 per cent. In all, the social wage of the Soviet worker is about 19 roubles a month.

Social insurance is compulsory for all workers regardless of the nature of their work, duration of their con-

tracts or amount of their wages. The administration of social insurance is carried out by a single central body working in conjunction with organisations which act entirely under this centralised control and bear full responsibility. Benefits include relief in the event of illness, temporary incapacity, permanent disablement, unemployment; assistance in the event of childbirth, death of a breadwinner, special service in the cause of the revolution, and so on. In the case of illness coupled with temporary incapacity to work but with probability of recovery, the insured person has to submit to a medical examination and continues to draw his normal wage. In the case of permanent disablement caused by accident during work, the insured person in the category of the so-called "Invalids of Work" continues to receive his full pay, which is then reckoned on the basis of an average of the last three months preceding the accident. In the case of permanent disablement caused by illness, the insured person receives, if totally incapacitated, 18 roubles a month, or 12 roubles if he does not stand in need of special medical treatment. If the sick person is able to do light jobs, he gets an allowance of 9 roubles. In the case of unemployment—now done away with—the worker receives a wage of 25 to 30 roubles a month and a number of privileges such as normal charges for dwelling, electricity, water, etc. Expectant mothers engaged in manual work are granted two months' leave of absence with full payment previous to confinement and a similar period after confinement. Added to this is a single payment of 16 roubles for the purchase of the baby's outfit and, upon return to work, a rise in the monthly wage of 4 roubles, to be paid until the child is weaned. A further small allowance is then paid for the bringing up of the child. In the event of the death of the child, a single sum of 16 roubles is granted.

The fund for the social insurance amounted (in paper roubles) in 1929 to 1,258 million roubles, in 1930 to 1,760 million and in 1931 to 2,573 million. Subscrip-

tions to social insurance are paid solely by the organisations employing the workers. The number of insured persons is growing in accordance with the growth of the proletariat. Thus the number of insured workers in 1929 was 11,600,000, in 1930 14,400,000, and in 1931 16,600,000. Special importance is attached to social insurance in the sphere of medical help. The total sum paid out in 1929–30 in respect of medical help was close on 608 million roubles (inclusive of the grants for sending workers to homes of rest and sanatoria).

Among the organisations which have to be accorded special significance because of their bearing upon the social problem mention should be made of the trade unions, the "profsoiusy," that is, the professional associations. In the Soviet Union there are 44 of these trade unions, one for each branch of industry. Though the worker is under no compulsion to join, the advantages accruing to members of these trade unions so outweigh any possible advantages of non-membership as to have a compelling power upon the workers. The trade unions are similar in external aspects and in structure to the trade unions in capitalist countries. But, as already indicated, they have quite other functions to perform and pursue entirely different objectives. This is quite natural in view of the nature and structure of the Soviet State. They are not free and independent organisations in the liberal and democratic sense, yet neither are they organs of the State or of the Party. Independent in the sense of being responsible for the conduct of their own affairs, they are nevertheless at the disposal of the Soviet regime, which uses them for the attainment of its objectives and for the carrying out of its dictatorship. Their leaders are not freely elected. Actually the trade unions are the channels employed by the Government and the Party for keeping in close collaboration with the working class in whose name the Soviet regime has been erected and on whose behalf it exercises its authority. Consequently, in the economic sphere the

trade unions cannot enter into a conflict with the State as employer, still less can they try issues with the State in the realm of politics. All possibility of the trade unions in the Soviet State putting up a fight for the attainment of economic or political objectives is completely ruled out even in the event of the employer, which is, of course, the State itself, violating the interests of this or that category of workers organised within the trade union. That is logical enough, since it would be impossible for the Soviet regime to allow a dispute to arise between the proletariat and the proletarian State. It would be a contradiction in terms. This was a point that puzzled Trotzki when in 1921 he took sides against Lenin on the question of the position of the trade unions. Trotzki could not understand the necessity for the further existence of the trade unions. What he failed to realise was that the "profsoiusy" were to be made to serve the interests of the Soviet Government rather than the interests of the workers. Tomsky, too, one of the most fearless representatives of the Soviet trade union movement and an opponent of Trotzki in the year 1929, was ill-advised when, in his capacity as leader of the Russian trade unions, a position he had held since their formation in 1921, he upheld the principle that "the 'profsoiusy' claim for themselves not only the right but also the duty to defend their class interests should these be violated, and to this end to use the weapon of the general strike, even against the State." Tomsky, a tried Bolshevik and Leninist and a capable organiser of illegal Bolshevist organisations under the czarist regime, obstinately clung to this antiquated opinion, an opinion which doubtless had validity when applied to conditions in pre-revolutionary Russia or to democratic States, but which is plainly inapplicable to the Russia of to-day. He did not grasp the nature of the new functions which the trade unions would be called upon to perform and wherein Lenin saw the real reason for their continued existence. In the period of the

New Economic Policy nothing could be said against Tomsky's views, which at that time could hardly be called anti-State, since in those days the trade unions were still fighting the last remnants of private capitalism. But when a new era set in, that is, with the inauguration of the Five-Year Plan, the old principle became intrinsically absurd and insufferable to the Soviet leaders. Tomsky was therefore discarded.

Henceforth the main purpose of the trade unions is not to defend the interests of the working class and to protect the workers from exploitation by the State, but, in the sense of the " general line," to work for the strengthening of the dictatorship of the proletariat in political, military and economic fields. This is interpreted to mean that the trade unions must set themselves the task of imbuing the masses with the spirit of communism. Still, they have been able to retain certain functions exercised by trade unions in capitalist countries; for example, functions with respect to the regulation of wages. Here the trade unions appear in the rôle of representatives of the workers and as such draw up labour contracts with the State-controlled industrial undertakings. They take action in the event of wage reductions, they participate in the administration of the labour exchanges, investigate breaches of labour contracts, etc. They develop, too, an activity of a pronounced political and military character. To this end they set up and promote special organisations such as defence units, semi-military sport associations, rifle associations, and so on. They furnish the most ardent members of the " osoaviahim," the huge patriotic society for the furtherance of aviation and chemistry and the strengthening of the Red Army. But the trade unions concern themselves primarily with questions of social welfare. Upon them devolves the task of training and educating the working masses. To this end the " profsoiusy " are entrusted with the task of establishing and promoting workmen's clubs in all factories. These clubs, which play a significant

rôle in the cultural and social life of the Soviet workers, arrange theatricals, entertainments of all sorts, lectures and debates. They are equipped as a rule with libraries, reading-rooms and gymnasia. Apart from organising these clubs, they undertake to combat illiteracy by getting the members to join special courses provided for this purpose. Furthermore, they promote sport by urging the laying out of playing-fields and by organising sports meetings and olympiads. They publish their own newspapers and periodicals. Indeed the entire activity of the " profsoiusy " is aimed at fulfilling the important task entrusted to them by the Government, namely, to imbue the working masses with the spirit of communism. There is scarcely a factory throughout the entire U.S.S.R. in which the trade unions have not managed to set up a club, and in every place where workers are assembled together on a job, no matter how remote the place may be, they have provided at least a reading-room or a " red corner."

Since Tomsky's removal from the position he held as leader of the Soviet trade unions, the " profsoiusy " have been able to get rid of their old inhibitions and out-of-date ideas and to dedicate themselves to their new rôle as educators of the masses, a rôle in which they are becoming more and more the political and economic instruments of the Soviet regime.

Engineers and technicians have a favoured position in the Soviet Union. Comparatively few in number, they are under the necessity to see that the Five-Year Plan is carried out; hence the Soviet has seen itself obliged to enact a series of laws raising them into a special category of workers and endowing them with special privileges. In many respects these privileges are wider in scope than those accorded to the working class. For example, an engineer who has served in a factory for at least three years can claim leave of absence to pursue scientific studies. Should he be transferred to another concern, he is allowed to retain all the privileges he enjoyed in the past. If he gets an

assignment to a remote place, he receives additional pay and after three years' service a three months' vacation on full pay. Engineers and specialists, as also Civil servants, are allowed to remain in possession of their dwelling if called away on urgent work. Children of engineers and specialists share with the children of industrial workers the right to attend schools and higher educational institutions. Engineers and specialists share with industrial workers priority of claim to be sent to the homes of rest and health resorts. In the event of temporary incapacity, they receive the same relief as industrial workers. They are placed on the same footing with them with respect to food rations and consumption goods. They can claim abatement of taxation. The principle of the progressive income tax is applied to them only when their monthly salary exceeds 1,500 roubles, and even in this event they are not included in the higher schedules but are subject to a single tax assessed at 3½ per cent of their income. In order to further their productivity the Government gives them first right to occupy dwellings that are about to be vacated, and they are allowed greater floor space than other sections of the population. Finally, their salary is not fixed according to the general standard in vogue, but on the basis of special agreements between the contracting parties, that is, the engineers and specialists on the one hand and the administrative bodies and factories on the other.

Foreign engineers and specialists, of whom the Soviet Union has stood in great need, particularly since the inauguration of the Five-Year Plan, have a higher status and enjoy greater privileges than native specialists in respect to dwelling and general living possibilities. In addition to this, they draw higher pay and are granted certain tax reductions.

There are far more women workers in the Soviet Union than in pre-revolutionary times. The adult woman in the Soviet Union has *de jure* and *de facto* full equality with man and, consequently, an equal right

to work and equal obligations with respect to output. In the year 1931, 30·7 per cent, or more than a quarter, of the industrial workers were women.

According to official statistics, the percentage of women workers in the various branches of industry is as follows: in the textile industry 63·6 per cent, in the timber industry 26·3 per cent, in the metallurgic industry 14·9 per cent, in the coal-mining industry 10·5 per cent. The principle of equal pay for equal work is recognised in all branches of Soviet industry.

Child labour, on the other hand, is less prevalent than in pre-revolutionary times. It was estimated that in 1913 9·8 per cent of the total number of workers were child workers. To-day the percentage is considerably smaller, although the total number of workers has increased considerably. According to the Code of Labour Laws no child under sixteen years of age may be employed at all, and no child under seventeen years of age may work longer than six hours a day. In exceptional cases of the employment of children of fourteen years of age and upwards, the child has to pass a medical examination. Child wages are determined by the number of working hours and are calculated on the basis of 65 per cent of the wage of the adult worker. As most of the young workers attend the schools set up in the factories, their actual working day seldom exceeds four hours.

Unemployment in the Soviet Union had assumed quite considerable dimensions prior to the inauguration of the Five-Year Plan. The labour exchanges concern themselves with the registration of those seeking employment and with the distribution of relief. All the measures adopted at this time by the Soviet Government for combating unemployment failed to lead to a solution of the problem; unemployment remained a burden on the State finances. At the beginning of the Five-Year Plan competent observers predicted that unemployment would be close on half a million by the year 1933. But the various readjust-

ments and extensions of the Five-Year Plan had the effect of abolishing unemployment, so that the prestige of the Soviet regime rose considerably in the eyes of the working class. After all, the Soviet Government had to live up to its reputation of being a government of the working masses. In the organisation of new possibilities of employment the Soviets allowed themselves to be guided by political motives. This turned out to be rather embarrassing for the Soviet Government in the third year of the Five-Year Plan when it saw itself obliged to change its course and adopt a policy more in keeping with economic facts.

This new policy makes every factory responsible for the proper conduct of its affairs on a business-like basis with due regard to profit-making. In order to achieve this end it was necessary to carry out a considerable reorganisation of industry, and the first symptoms of a return of unemployment date from this period. As a matter of fact, up to the middle of the year 1932 there was still hardly any unemployment in the Soviet Union and it is quite possible that the few symptoms that have appeared will vanish completely. But this presupposes that socialistic construction in the Soviet Union will cease to be affected by the world economic crisis to the same degree as it has been in the past. It presupposes that foreign countries will continue to purchase raw materials from Russia and that the Soviet Government will be able to go on buying abroad the machinery it requires for carrying out its big plans. To-day the labour exchanges in the Union are closed down and no unemployment relief is being paid out. That is to say, there is now no provision made for those Soviet workers who find themselves out of a job. As soon as unemployment appears again above the Soviet horizon the State will be obliged to reopen the labour exchanges and to take adequate measures to combat it. For it is obvious that the phenomenon of unemployment has certain additional psychological aspects in a country which prides itself on its proletarian character.

The worker, as the foundation and driving force of the regime, would in that event find himself in a position not at all in keeping with the function he is supposed to perform in the proletarian State.

What standard of material and cultural well-being does the Soviet worker enjoy?

The standard of material well-being of a worker is generally discernible from his actual wage, the purchasing power of this wage, the extent of the unemployment relief and the number of his working hours.

According to official figures, the monthly wage of an industrial worker in the year 1931 was on the average about 95 roubles. Assuming that the nominal monthly wage is 98 roubles, it can be said that in this respect the standard of material well-being of the worker in the Soviet Union compares favourably with that of a worker in capitalist countries. On closer investigation, however, it is clear that there is a considerable difference, a difference that does not work out to the advantage of the Soviet worker. The difference is largely attributable to two main causes: (*a*) the disparity between the purchasing power of money in the Soviet Union and in capitalist countries, and (*b*) the fact that in the Soviet Union the available consumption goods needed for the satisfaction of personal needs are far less in quantity and much poorer in quality than in capitalist countries.

It is now generally known that the Soviet Union has a managed or standardless currency. The rouble has *an artificial value, that is to say, it has a political value*, whereas " capitalist " money has a natural, and therefore a real, value. The Soviets are guided by political motives in fixing price levels for the sale of those goods over which the State has a monopoly and whose distribution and consumption are regulated. This means that there is a complete absence of " free " purchasing. Moreover, the Government is compelled to export as much as possible in order to buy the machinery and raw materials it needs for the realisation of its economic

plans. Obviously, then, the State has no economic interest in selling its products on the home market, where it would be paid in a depreciated currency. This helps to explain how it has come about that the Soviet citizen is deprived of the possibility of buying those goods which are needed for a bare subsistence, just as it helps to explain the poor quality of the goods produced.

In order to improve matters, the Soviet Government set up towards the end of 1931 two auxiliary organisations for furthering petty trading: the "Torgsin" and the "commercial stores." Furthermore, they recognised the existence of the "rinok" or open market. Can these new sales organisations improve matters for the average Soviet worker and help to raise his standard of material well-being? Do they not rather tend to emphasise the social rift that has appeared between those who have more than the average and those who have less? Actually the "Torgsin" (which means "doing business with foreigners") fixes the price of its commodities on the basis of the gold rouble or foreign currency. The "commercial stores," as their name implies, determine the price of their articles on the basis of their real commercial value. The "rinok," or open market, allows its prices to be regulated by the good old principle of supply and demand. Prices in the "Torgsin," in the "commercial stores" and on the open market are at least three to four times higher than in the State-run stores, in some cases ten times higher. But even in the State-run stores where the populace purchases its rationed articles, the general price of food-stuffs underwent in February 1932 a sharp rise of from 25 to 95 per cent, while manufactured goods jumped in price as much as 200 per cent. It is true that this was immediately followed by a 20 per cent rise in wages, a very natural development, since the rise in prices would otherwise have served no purpose. But to-day, owing to the general dearth of goods, the "commercial stores" are without any stocks,

so that one after another of them have been obliged to close down. This all serves to give some idea of the present standard of material well-being enjoyed by the Soviet worker, altogether apart from the terrible scarcity of goods and the difficulty of the Soviet masses in providing themselves with the bare necessities of life when the purchasing power of their wages is only one-tenth of their nominal value.

The Soviets promise an improvement in this state of affairs. They predicted that at the end of the first Five-Year Plan the individual citizen in the Soviet Union would be able to enjoy a higher standard of living. Instead, conditions have worsened, despite the fact that the Soviets have extended their actual power. Now the population is being encouraged to concentrate its hopes on the second Five-Year Plan.[1]

On the other hand, the standard of well-being of the Soviet worker presents an entirely different picture when seen from the view-point of his social and cultural position. To what extent an improvement has been effected here may be judged by the sums granted by the State for social relief, for raising the standard of education, for medical help and sanitary improvements, for the erection of workers' dwellings, schools, workers' clubs and so forth. Other points should be borne in mind; for instance, the new social conscience of the workers arising out of the fact that they are a privileged class. The truth is that far more is done to promote their social and cultural well-being than their material well-being.

In this connection it should be mentioned that, according to an official statement, illiteracy among the working class has been entirely abolished. Workers' barracks are disappearing and more and more is being done to make over the old homes of the bourgeoisie to the proletariat. Considerable progress has likewise been made in the erection of new houses for the working

[1] The enactment of May 1932 with regard to a freer exchange of goods is said to have improved the position.

class, although here developments are not on a scale large enough to meet requirements. Still, the sums allocated for these purposes are quite significant; for example, 700 million roubles were spent in 1932 for the erection of workers' houses, a huge sum even when the depreciated internal value of the rouble is taken into consideration. The social insurance organisation made grants during the same year of 5 million roubles for the construction of bathing establishments and laundries, 87 million for the erection and upkeep of children's homes, 24 million for the organisation and maintenance of kindergartens, and so on.

The percentage of workers and workers' children admitted to schools, universities, sanatoria, etc., is very high compared with that of other sections of the Soviet population, a point already referred to in estimating the importance of the rôle played by the trade unions in the social life of the Soviet Union. There is a constant increase in the number of those institutions designed primarily for the benefit of the working class, such as homes of rest, workmen's clubs, playing-fields, theatres and cinemas.

In summing up it can be said that the standard of material well-being enjoyed by the Soviet worker leaves much to be desired, but that, on the other hand, his cultural and social well-being is slowly improving and now compares favourably with that of the worker living under the capitalist system.

As an outcome of a sudden and very pronounced change in the Soviet wage policy there are now prospects of a betterment in the standard of material well-being. Until recently, the Government allowed itself to be guided in all matters of wage determination by the Marxian principle: "From each according to his ability, to each according to his needs." To-day this formula has lost all significance in the Soviet Union. Since Stalin's notable speech in June 1931 the formula has been substituted by one that reads: "From each according to his special ability, to each according to his

›ecial achievements." The Marxian principle was ›und to be in line with ideas of social justice but lind to the supreme laws of economics. The principle ow adopted by Stalin is in line with the latter but lind to the former. A basic principle of communism as thus been cast aside and an economic principle set p in its stead.

What will be the political and economic consequences ›f this new course? There will be an improvement in he standard of material well-being of those who are ıble to prove their worth, while the incapable will experience a worsening of their position. The few will riumph at the expense of the many. So that once again social injustice, supposed to have been banished by the Bolshevist revolution, will reign. To-day the Soviet Union is not establishing communism, it is only planning for it. And it will not arrive until its presuppositions have been created.

This short survey of the social position of the worker in the Soviet Union leads up to this question: What is the psychology of the working class and what is its attitude towards the Soviet regime? To-day the psychology of the proletariat in the Soviet Union is no longer the psychology of the worker who is prepared at any moment to take up the fight against his employer because he sees in him, rightly or wrongly, an exploiter. In this regard the worker in the Soviet Union has been taught to think otherwise: he knows quite well that such a view-point neither would nor could be tolerated by the Soviet regime, and he knows that any opposition on his part would be harmful to himself even if inspired by a consciousness of unjust treatment.

The mentality of the Soviet worker has been transformed as a result of his sense of powerlessness in face of the might of the State, but even more as an upshot of the propaganda carried on by the Party and the Government with the assistance of the trade unions. This propaganda is omnipotent and omnipresent. It is put across at every opportunity and at every hour

of the day, in the factories and offices, in the clubs, theatres and cinemas, at lectures and debates, and over the radio. In consequence of this unceasing propaganda it is only natural that the greater part of the working masses will in the end come to believe, even when their interests are apparently or ostensibly violated, that it is all done in the interest of the common good. As the Soviet State is a "proletarian democracy," any action taken against the State would prejudice the interests of the working class. It would be erroneous to suppose that this mentality is characteristic of the Soviet working class as a whole; there are many workers who think and feel otherwise, including a considerable number of the indifferent and discontented. There are, above all, the seasonal workers and the young workers, mostly belonging to the category of the lowest paid workers. They suffer more privations and hardships than the other workers and have therefore material as well as psychological grounds for putting less faith in the promise of a better future. These workers seldom do a full day's work and their output is low. They show little sympathy for the regime and for the most part find themselves in opposition to it.

So the attitude of the worker towards the State and towards work is, in part enthusiastic, in part hostile. The "Udarniki" form the majority of the enthusiasts, among whom there are many fanatics. They are regarded by the Government as the most conscious and most progressive proletarian elements. The State tries to win over the indifferent by slow degrees, relying on the effectiveness of its propaganda and on the activities of the "Udarniki." And the discontented are quite well aware of what they have to expect from the State should their discontent find expression in action.

# XIII

# FOREIGN TECHNICAL ASSISTANCE

By Georg Cleinow
(Docent at the German Academy for Political Science, Berlin)

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### I

The problem of foreign technical assistance for Russia is not of recent origin. It first came to the fore when Czar Peter I decided to dispense with the material and cultural foundations laid down by native creative and inventive genius. His plans for national expansion seemed to compel him to take a course that would bring a different species of civilisation to the peoples united under his sceptre. Above all, Peter I wanted Russia to become a great military power. To this end, he began to employ foreigners and to adopt alien methods. He sent abroad for his ship-builders, artists, skilled artisans and artillerymen. He came to regard the vast country merely as an instrument for the achievement of his political objectives. A perplexing disorder took the place of national integration. The Russian people put the blame upon the aliens in their midst. The imperialist policy of Peter I was a thorn in the side of the Russian people but a blessing to the aliens, who came to be looked upon as a race that grew rich on the fat of the land.

About the year 1765, foreigners began to be employed by the State. They were invited to Russia mainly with the object of furthering the growth of the agricultural industry. Then came two decades of alien colonisation and the founding of German farming communities on

the Volga and in the Ukraine. It was at this time, too, that the contact set up with foreign seats of learning through the Academy of Science in St. Petersburg and the Baltic University in Dorpat was productive of results in all fields of scientific endeavour. Up to this point, foreign aid for Russian industry was directed by the State solely to the development of industry. It took the form of the employment of foreign weavers and spinners. Hence the origin of the German colony of weavers in Poltava, founded in 1808, and the first beginnings, in 1822, of Lodz, the so-called Polish Manchester. For the rest, throughout the nineteenth century foreigners could set up in business in Russia or accept employment with private concerns as technical specialists. Later on, foreign capital invested in Russia began to monopolise the supply of foreign technical experts. They were engaged in considerable numbers in the South Russian mining industry, the oil industry, electrical undertakings, the machine construction industry in Central Russia, all of which owe their early beginnings to foreign capital. But even Russian entrepreneurs took to employing foreigners to an increasing extent during this epoch.

Then came the reaction and the outcry against foreign penetration. It began in those places where a rivalry had grown up between Germans and Austrians, namely, in the Western provinces. The movement here culminated in the expulsion, in 1886–87, of large numbers of German landowners. It flared up again at the beginning of the present century and led to a law being passed enacting that foreign industrial enterprises domiciled in the above-mentioned regions would in future have to employ subjects of the Czar only. A pronounced anti-foreign policy was a feature of the war years and the post-war period, and throughout it has enjoyed popular support. So that when the Bolsheviks began to run all the foreign employers out of the country, when Lenin refused to ratify the Urquhart concession, the new rulers found themselves

carrying out a measure that met with the approval of everybody.

2

Having proclaimed its ultimate aim to be the transformation of Russia into a socialised society that will overtake and outstrip the most advanced capitalist country, the Soviet Government was prevented from focussing its attention upon the problem of foreign assistance until it had defeated the forces of intervention. When, at last, the matter came up for consideration, the Bolshevik leaders proceeded with their usual caution, approaching the subject from two standpoints. In the first place, they asked themselves what chances they had, as communists, of building up the new economic order. Secondly, they realised that they would have to consider the specific conditions prevailing in Russia and that eventually they would have to seek aid from the capitalist world.

The communist approach had to take cognisance of the aspirations of the proletariat and the general psychosis prevailing in those days. It had also to be in line with the concepts of Karl Marx and other socialist thinkers. As regards the psychological factors, it was a period of social unrest in the outside world and of famine at home. Armies of prisoners-of-war from Central Europe were still on Soviet territory. Foreign aid was needed for overcoming the famine. A Viennese organisation was supporting an entire agrarian commune. A similar organisation in America had undertaken, according to Lenin, to organise 200 agricultural communes. The Czecho-Slovakian Government enabled its communists to emigrate by capitalising their unemployment pay. A big undertaking was organised by the Dutch idealists Rüttgers and Wegemann to enable proletarian forces to exploit this region on communist lines. All these attempts either ended abortively or were terminated because they did not meet local needs, except in a loose sort of way. Then came the extrava-

gant experiments with alien ideas. There were the experiments, for instance, of the Swiss communist Platten. In their later phases they were turned into an effort to get proletarian youths from foreign countries imbued with the spirit of Russian communism by setting them to work on Soviet farms. These attempts of the proletariat to build up the communist society by relying solely on its own resources were kept alive by a constant stream of recruits from the armies of the world's unemployed.

In their technical approach to the subject, the Bolsheviks took their stand, as did the czarist governments, on the necessity for support from international capital. Behind the concession policy of the Soviet Government was simply the desire to organise its economic life with the aid of foreign capital. It need hardly be said that the policy has been discarded. One of its chief results was that the concession undertakings gave the Soviet Government an opportunity to train a few hundred technicians and workers, a result that appears exceedingly small when compared with the means employed and the efforts put forth.

The problem of foreign assistance sprang into the foreground again when Krzhizhanovsky drew up his plans for the electrification of the Soviet Union. It first took definite shape when the Five-Year Plan calculated to what extent foreign highly-trained technicians would have to be employed in order to achieve the desired results.

As a matter of fact, it was originally intended to employ only Russian engineers on the big electrification projects. But the difficulties encountered in the construction of the power station at Balachna (Nishni-Novgorod) and the big Volchov power plant near Leningrad served to bring home to the Bolsheviks the impossibility of getting along in this field of industrial construction without the aid of foreign engineers. So it happened that the construction of the Kura power station was entrusted to the Siemen firm, while American engineers were enlisted

for the building of the Dnieper dam. About the same time, too, German engineers were engaged for the construction of the Svir power plant.

It has been estimated that, at the inauguration of the Five-Year Plan in 1928, the Soviet Government stood in need of 100,000 foreign engineers. It is clear that on the assumption that every first-rate engineer would cost at least 3,000 dollars annually, the Soviet Government would not have had the money to pay for so much help from abroad in any case. The problem had become a matter of accumulating foreign currency to pay the salaries, a matter linked up with the foreign trade balance. This point of view began to outweigh the purely technical aspect of the problem.

3

How greatly the Soviet Union is in need of foreign aid is apparent from the figures published by Alexander Fisson in the *Ekonomicheskaya Zhizn* of March 10th, 1931. According to these figures, on May 1st, 1930, there were engaged in the Soviet Union not more than 289,500 highly-qualified and semi-qualified native specialists. Of these, 111,168, or 38·4 per cent were "laboratory-minded," and 66,317, or 22·5 per cent were technicians, while 112,195, or 39·1 per cent were "factory-minded" without a theoretical training.

The number of these "factory-minded" specialists is particularly great in industrial production and transportation, namely, 55·2 and 65·9 per cent respectively.

The actual figures published by Fisson were :

| | Industry. | | Transportation. | |
|---|---|---|---|---|
| Academicians | 23·8 | | 9·6 | |
| Technicians | 20·9 | | 24·5 | |
| Practical specialists | 21·9 | 55·2% | 33·8 | 65·9% |
| Practical specialists without special training | 33·3 | | 30·1 | |

The figures for the various branches of industry are as hereunder :

| | Factory-minded experts. | Laboratory-minded experts. |
|---|---|---|
| *In the agricultural industry* | 3·4% | 0·2% |
| In the mining industry | 25·6 | 4·8 |
| In the building industry | 22·2 | 6·2 |
| In the chemical industry | 33·6 | 4·2 |
| In the metallurgic industry | — | 5·8 |
| In the gas and allied industries | 28·7 | 1·0 |
| In the electrical industry | 46·7 | 14·2 |
| In the textile industry | 14·8 | 3·9 |
| Expert economists | 9·1 | 0·5 |

The number of Russian specialists employed was as follows :

| | | |
|---|---|---|
| In industrial production | 109,600 | |
| In transportation | 33,300 | |
| In agriculture | 54,700 | (3·4% of the demand) |
| In the building industry | 25,600 | (22·2% of the demand) |
| In educational institutions | 66,300 | |
| Total | 289,500 | |

As the entire sphere of education in the Soviet Union is being slowly reorganised to conform with the new social relationships, it will be some time before it will be possible to train a sufficient number of technical workers to meet requirements. This is freely admitted by the Bolsheviks themselves. Thus, Lebedeff, in the *Pravda,* declares: "We are still in need of many thousands of specialists. (The Magnitnaya Project requires a further 700 engineers and technicians, the Eastern Steel Trust as many as 2,300.) In 1931 the country was calling for a further 400,000 engineers and technicians, but the training centres and industrial schools were able to supply only 105,000." Likewise, in *Sovietskaya Sibir,* W. Komarovsky says that "the schools and technical institutes do not cover the

twentieth part of our requirements. For instance, in the year 1931, 1,437 engineers of various categories were needed in Kusbass; only five were able to qualify. In the year 1932 we shall need a further 2,086; the technical institutes can promise to turn out only 35. In 1933, 2,447 will be required, but in the meantime, only 46 can be trained in Siberia. . . . Not until the year 1935 will specialists be turned out in requisite numbers."

The shortage of highly-qualified technical personnel makes itself particularly felt in railroad construction. Projects that have been taken up by the Council for Labour and Defence fail to reach completion on schedule. The construction of water-supply plant for the Ukrainian lines, a project to which special importance is attached, was only 40 per cent under way at the end of the time schedule.

Far more skilled workers are needed for the industrial development of Central Asia than the Bolsheviks themselves expected. In any case, Moscow is unable to cope with it from its own resources. Moreover, local factors come into play here. These factors are a direct outcome of the methods employed by the Soviet Government for the development of these regions. In the first place, the position has to be considered in the light of the creation of the so-called autonomous republics of Kazak, Kirghiz, Uzbek, Turcomen and Tadzhik. A second factor is the tremendous speeding up of the production of coal, iron, machinery, non-ferrous metals and cotton. Thirdly, there are the political and economic consequences of the premature opening of the Turkestan–Siberian railway.

All the Soviet undertakings in Central Asia are conceived on a big scale and constitute a tremendous drain upon Moscow's reserves of technical personnel; all the more so in view of the fact that from 80 to 98 per cent of the inhabitants of these thinly-peopled areas in which the projects are to be carried out are illiterate. Then, again, national prejudices make them-

selves felt in these distant regions. The native population, among whom the Kirghisians are most responsive to national sentiments, will accept a technical expert of foreign nationality, but not a Bolshevik if his capabilities are no greater than those of native workers, especially if he tries to " lord it over them."

When the New Economic Policy was finally discarded in the summer of 1924, the Supreme Economic Council turned its attention to the question of foreign help for the Russian industries. The move encountered some opposition. Thus, Bychovsky declared that " difficulties will arise not only in the selection of the foreign experts, but in getting these experts to adapt themselves to existing working conditions and in creating an atmosphere of good-will between them and the Russian workers and specialists." It was held imperative, therefore, to create conditions of such a nature that the employment of foreigners would cease to be regarded by the workers as " unnecessary playing about "; it was hoped that the workers would look upon them as thoroughly desirable citizens.

Having come to a decision in this matter, the Supreme Economic Council instructed the big trusts to engage what technical or executive personnel they needed, either directly from abroad or from the available supply at home. This proved particularly favourable to Germany. Relations between the Russian engineers and German industry underwent a renascence, and German manufacturers, totally ignoring the real nature of the Bolshevik aims, placed unbounded hopes in Russia as a future market for their goods. Over-eagerness on the part of these manufacturers to conclude sales contracts with the Bolsheviks killed many a good intention. The Bolsheviks were looking at the matter from a totally different point of view. They had their political reasons for distrusting all direct connections set up between non-Bolshevik Russian specialists and foreign firms. These misgivings deepened when the Russian specialists and engineers began to form them-

selves into groups, much to the dismay of the Soviet leaders. What exactly was the position? It was, in truth, a very dangerous one. Here were non-proletarian elements, working in close touch with private capitalist undertakings abroad, now being given opportunity to foster these connections uncontrolled. Important technical and other information could be discussed and exchanged within these engineering circles without reaching the ears of the Communist Party or the proletariat. Of course, there were the Party cells within the individual concerns. These cells were entrusted with the difficult task of acting as supervising and informative organs; but there was always the likelihood of their being forced to capitulate in the face of executive authority and thus ceasing to be of any use to the Party. High communist quarters began to suspect secret preparations for a counter-revolution and capitalistic encirclement. No wonder the antipathy of the leading Bolsheviks to foreign specialists just about this time was little short of enmity. It assumed greater dimensions the less they were able to detect with their own eyes what was going on under the cloak of these relations. Negotiations that were taking place at this time between the German Government and the Soviet Government, negotiations that had been going on for nearly three years and that eventually led up to the Juridical and Economic Agreements of October 1925, did not tend to allay this mistrust. Indeed, while in all outward aspects a *rapprochement* between the two Governments had been effected on the basis of the Rapallo Treaty, a movement had already been set on foot in leading Soviet business quarters, backed up by the intelligentsia, aiming at an emancipation from German industry and German technical domination. This outcry against German influence was extended to foreign trade and was even taken up by the Third International. Thus it will be seen that the attitude of the Bolsheviks towards foreign assistance vacillates between two extremes and it is far from easy for an

outsider to tell which attitude happens to be in the ascendancy at any given moment. Looking back, of course, it is a simple matter to chart the ups and downs in the relations between the Bolsheviks and their foreign specialists.

The next development occurred when the State itself began to woo the sympathy of proletarian masses in foreign countries. It was forced into taking this step by the Communist Party, which had now embraced the theory of the permanent world revolution. This led Chicherin, in 1925, to elucidate Article 2 of the draft of a law with respect to nationality. His statement was to the effect that foreign citizens domiciled within the territory of the U.S.S.R. for the purpose of carrying out some useful work, provided they belong to the working class or to the peasantry, and provided they employ no hired labour, enjoy full political rights. Two years later, however, the position was modified to the extent that the *Pravda* came out with the declaration that the worst illness that can befall a proletarian country and the biggest blow to its prestige is the flocking back of immigrant workers to their capitalist homeland. " We shall have to see to it that 100 per cent of the proletarian immigrants feel at one with our proletarian family and give up for all time the thought of returning home," the statement read. In 1928, in the Schachty trial, there occurred the first case of a foreign worker giving evidence against a fellow-countryman in a Russian tribunal.

Thus the Bolsheviks are clearly determined to take the mass of foreigners who come into Russia and draw a sharp dividing-line according to proletarian or non-proletarian origin. The Constitution is so worded that they are able to confer citizenship upon any proletarian no matter what his nationality, and to treat him accordingly. In this way the labour market for foreigners in the Soviet Union has acquired certain characteristic features. It is essential for a rightful understanding of Soviet affairs to know just what these

features are. They will also serve to explain the present position of the foreign expert.

From the point of view of the class struggle, the problem of foreign assistance was not a factor of great significance prior to the year 1929. Up to then, the Soviet Union had directed its appeal for assistance mainly to the "laboratory-minded" expert. The Bolsheviks had to make a sort of detour before they succeeded in bringing the problem once again within the compass of the class struggle. This detour was Soviet Russia's re-discovery of America. They chanced upon this discovery during their quest for instruments to enable them to achieve technical emancipation and give them the independence they required to work out their own destiny.

Quite in keeping with these aspirations was the scheme to get a special technical commission in the Soviet Union to elaborate projects for industrial planning without foreign aid, and then to send the designs and plans abroad for expert opinion. It led to the despatch of close on 400 Soviet technicians of all categories to America, and about 1,000 to Germany; a small number was also sent to Japan. These technical emissaries were instructed to study industrial construction and technique in the countries they visited.

All instructions to these commissions represented an endeavour to find an answer to two questions: (1) In what specific fields and to what degree should the Soviet Union adopt methods that have proved successful in capitalist countries? and (2), How can the Soviet Union, whose population is 85 per cent agrarian, obtain sufficient industrial workers?

As a result of all these investigations it was realised that there were certain kinds of construction work and fields of production where it would be impossible to make any headway for several years without the presence of foreigners. On the other hand, there was no one single industrial country capable of supplying the Soviets with all the technical personnel they needed. It

was thought that, in this respect, America, Germany and Japan might very well supplement one another, each contributing in those fields of its greatest achievement. But, as already said, the chief outcome of these investigations was the re-discovery of America, bringing about a partial emancipation from German technical domination. The contribution of Japan was restricted.

This period terminated with the despatch in 1927 of a study commission, headed by Semen Lobov, on an extensive tour of Western Europe and the United States. The thesis formulated by this commission was, in substance: As regards methods of construction, we shall have to learn much from the Americans, nothing from the Germans. As to the employment of foreign specialists in industrial undertakings, it seems that the most practical course to take would be to enlist them in all those places in Germany where local conditions warrant such a choice. German engineers will be useful to us. On the other hand, the training of our younger generation of technical workers can take place best of all in America, where many firms are prepared to take our young people.

This explains why, in subsequent years, Americans began to play such an outstanding part in the new construction projects in the Soviet Union, while Germans and Japanese were employed for specialised jobs in the workshops, that is, where the shining virtues were precision and ability to get along with the Russian workers. As we shall see later, these general directives could not be strictly adhered to, because every craft has its own peculiarities which are better understood in one country than in another. It is to the credit of the Supreme Economic Council that, in all fields of industrial construction, it endeavoured to get the best available in every country of its quest, without regard to political prejudices. It is a fact that America dominated in the construction of waterworks and irrigation projects, Europe in the building of blast furnaces and smelting works. Japan was temporarily enlisted for railroad

construction, and during its term of service made a thorough study of the Soviet transportation system.

There was another thing that the Bolsheviks got from America, something that has had more far-reaching results than even the actual technical assistance. It is their implicit belief in the future of the Machine Age. The Bolsheviks discerned that the American industrial development, scarcely half a century old, occurred in the absence of those conditions that provided the basis for the industrial expansion of Western Europe. America had no craft industries as had England, Belgium and Germany. Its supply of industrial workers was drawn from the immigration of agrarian elements, a good proportion of whom came from Russia. Hence the Bolsheviks concluded that it was not imperative for them—

(*a*) to rely on the 18 million workers engaged in the home industries where there was still considerable hostility to Sovietism, and

(*b*) to build up from below a system of technical education, similar to that of Germany but rather adopting American, that is, Fordian, ideas.

The Soviets now held cheap labour to be just as necessary for the development of the production of consumption goods as modern machinery; they wanted the machine-minded worker. So they decided to make the factory school their trump card.

For the most part the projects entrusted to the various categories of engineers in the Soviet Union are gigantic and magnificent conceptions of the human mind, and their realisation would surpass all that has been achieved up to now in any other part of the world. This in itself explains why some of the best brains in the world have been eager to offer their services. Even the work of reconstruction, whose prime aim is to rationalise the productive capacity of the old units of production,

offers jobs of the kind that makes an irresistible appeal to all young and energetic engineers, chemists, architects and other specialists. Whether it is a matter of increasing the output of a glass works or smelting furnace, or of equipping a mine, personal ability and individual initiative are allowed full play, especially in those places where the State has taken steps to safeguard foreigners from acts of sabotage and envy and from the habitual inertness of the Russian workers. The *genius loci* does not always look kindly upon aliens.

One fact, whose significance can hardly be underestimated, is that the manufacturing industry in czarist Russia was built up on private initiative and had its origins in the home industries. This is particularly true of the ceramic, timber, chemical and food-stuff industries. In the course of time, patriarchal conditions had established themselves in these industries, and this state of affairs persisted after the Revolution. The workers were content to remain in the same locality in spite of overcrowding, and the engineers were men who learnt their craft in the workshops. Consequently, it was exceedingly difficult to introduce new methods into these concerns, to get them to change their habits and adopt new inventions. It sometimes happened that the entire personnel would stand solidly behind the engineering staff and the communist directors in opposition to the innovations proposed by the foreign experts. The workers feared the consequences of rationalisation. Handling cases of this kind called for a great deal of tact on the part of the foreign expert. On one occasion, a young German engineer, recognising the significance that attaches to the workers' press correspondents, put his trouble before them and thereby succeeded in getting it into the local newspaper. The *Izvestia* took the matter up, with the result that Party quarters sent down a secret commission of inspection. Inspection proved the German engineer to have acted rightly, and when further inquiry placed his reliability beyond doubt, the

matter was brought to the notice of the supreme authorities. The final outcome was that the entire clique responsible for the trouble in that Novgorod factory on the shores of Lake Peipus was first severely reprimanded and then dismissed under threat of reprisal.

It will be seen from the foregoing that foreigners in the Soviet Union have to expect a considerable amount of mistrust. It not infrequently happens that they are regarded as agents or emissaries of the Communist Party. Moreover, when anything goes wrong in a factory after the appearance there of a foreign engineer or specialist, it is sure to be put down to his account. Far from working hand in hand with the foreign employees, the trade unions and party organs seek to supervise their activities by eliciting material from the native personnel. If, despite these encumbrances, work is proceeding pretty much according to schedule, this is owing, first to the tact and intelligence displayed by the foreigners, secondly to the fact that high Soviet authorities have come to realise that they will never attain their objectives unless they are able to continue to rely on foreign assistance, and finally to the methods adopted for spurring on the workers to give of their best. Shock-brigades! Light-cavalry brigades! We have not space here to describe the other side of the picture.

The peaceful development in the relationships between foreigners and the native personnel suffered a setback in consequence of the so-called Schachty trial which occurred in 1928. For political reasons, as also with a view to getting the workers to put more " pep " in their work, the Soviet Government took upon itself to prove that leading capitalists abroad were using foreign specialists as their instruments in a campaign aiming at the disruption of Soviet industry, by such acts of sabotage as would hold up the realisation of the Five-Year Plan. The senselessness of this accusation was plain enough. But it had its deeper aspects. The

Soviet Government was well aware that the full realisation of the Five-Year Plan could not possibly be effected without considerable financial aid from abroad and that it presupposed an excellent sale for Russian goods on the world market. Subsequent developments proved the correctness of these assumptions. To be sure, everything was done to induce the outside world and the illiterate Russian masses to believe that the Five-Year Plan could be achieved in four years. A way out of this dilemma was found by decreeing the transition to a new Five-Year Plan. In any case, the Schachty trial, which ended in a number of death sentences, had the effect of further embittering the relations between foreign specialists and Russian engineers.

After the Schachty trial the treatment of foreigners entered upon its proletarian phase. Efforts were again made to discriminate between foreign specialists and foreign workers. The Trade Unions set up special propaganda bodies for winning over these foreign workers to the Communist Party. International circles were formed for this purpose in Leningrad, Moscow, Kharkov and other places. Furthermore, these foreign workers were egged on to utilise their connections with their home country with the object of furnishing the Communist Party with information. They were asked to put themselves in touch with former fellow-workers at home and to induce them to send information on subjects ranging from general aspects of factory conduct down to industrial secrets. How diligently these instructions have been carried out is shown by the numerous cases of industrial espionage occurring in recent times, particularly in Germany.

Nothing of outstanding moment was done to make the foreign specialists feel a common destiny with Soviet power. Nothing was done in the way of guaranteeing native workers the right to retain their jobs, thereby awakening sympathy for proletarian dictatorship among the foreign workers, making them feel a common destiny with the Soviet power. On the

other hand, just when the position of the Russian workers was at its worst, in those days of acute housing shortage and minimum food and clothing rations, when the standard of living was at its lowest, preferential treatment began to be accorded to foreigners. What more natural than that the creation of the so-called "*valuta stores*" (*Torgsin*), *where it is possible to buy* practically everything and in any desirable quantity in exchange for foreign money, should cause bad blood? Since then, the situation in which foreigners find themselves in the U.S.S.R. is one that is growing more uncomfortable every month. Close observers are willing to regard it as a "stage of transition," yet it is doubtful whether the general position of foreigners in the Soviet Union will improve much until the whole of the methods adopted by the Bolsheviks for the utilisation of foreign brains and skilled labour undergo a radical change. It is therefore not our present intention to pass on to an investigation of the question as to the validity of agreements and the prospects to be held out to foreigners in the Soviet Union. All we could do would be to put forward facts that are already common knowledge.

On the other hand, considerable significance attaches to another aspect of the problem.

Present conditions have compelled the Soviet Government to deprive foreigners of a privilege that, in the past, has been such an attractive feature of employment in the Soviet Union. It enabled them to ignore all the hardships and discomforts they had to suffer and all the hostile attacks they had to face. That privilege was the right to demand payment of at least a portion of their salary in foreign currency. The Soviet economy is simply not in a position to pay in foreign currency, since the world depression has created prices in foreign trade which make it impossible to collect sufficient quantities of foreign currency. In this critical moment, the Bolsheviks were brought to realise the entire abortiveness of all their efforts to gain the sympathy of the broad masses of workers in other

countries. A clause in the labour contract drawn up between the Soviet authorities and any person accepting employment in the Soviet Union is to the effect that the said person will not be worse off than Russian workers of the same category. Until this clause is done away with, all persons entering Soviet service must be prepared to put up with the same discreditable conditions as those under which the Russian population has to live. By virtue of this clause any person accepting employment in the Soviet Union is expected to renounce all claim to be provided with good lodging or to be paid in foreign currency. Foreign communists domiciled in the U.S.S.R. have protested against this state of affairs just as vigorously as anyone else and have even allowed themselves to be held up to scorn and called " Kulaks " in the Soviet newspapers. These communists were quite contented with their lot as long as they were given a position of social priority. Among the many cases that have been brought to my attention was that of a German foreman who, two years ago, was loud in his admiration of the able way in which the Bolshevik rulers held sway over the country's destiny. To-day, this foreman is just as loud in his denunciation of this ruling caste as exploiters and bandits, because they altered his labour contract in the sense that payment would be in roubles instead of in marks. That this case is no exception to the rule is shown by the fact that large numbers of former communists who left the Soviet Union and returned home have become the most bitter antagonists of the Communist Party and its methods. This, apparently, is the reason why communist propaganda abroad has reached a dead centre. Moreover, the Bolsheviks are witnessing a hardening of opinion abroad against their objectives. It has already taken the form of a powerful reaction in Central Europe and Great Britain, a reaction that is now spreading to the United States of America. The Soviet Government is facing defeat on a big scale and consequently

is being forced more and more to fall in line with general trends in world economics and world opinion.

Competent observers still fail to see how the Soviet Government will be able to extricate itself from this dilemma. The Soviet leaders are quite aware that, as things stand in the world to-day, and with the whole of the Soviet Union presenting the appearance of a builder's yard, they cannot get along without foreign brains. The position at the moment is such that if only about one-fifth of their foreign helpers refused to carry on, then in all likelihood the wheels of the process of industrialisation would be thrown completely out of gear. The fact is, the Bolsheviks have actually succeeded in making Russia more dependent upon the outside world than ever before. It is therefore largely within the power of her foreign technical assistants to determine whether this state of affairs is to be overcome within the space of the next five to ten years. The significance of foreign assistance is thus seen to have its political as well as economic aspects. It is political in the sense that there is always the possibility of united action on the part of the foreign workers.

Within the Communist Party of Russia various proposals have been put forward for overcoming these dangers. It is held that the necessary readjustments might be effected if more were done to discriminate between foreign brains and the mass of foreign workers. This is based on the false assumption that these foreign workers have been brought up to believe in the right to higher pay of highly-trained specialists and skilled workers. But the mass of foreign workers would oppose these tactics for the simple reason that they would be the losers. Consequently, a further suggestion has been made to establish settlements, or colonies, run entirely by foreigners; for instance, in one place an All-American undertaking built up on American ideas, in another place a German unit run by a colony of Germans according to German methods. Preparations are already under way for a start to be made in this direc-

tion in the Kuznetsk Basin, where the Leninsk mine is being developed more and more with the aid of Americans, while the Zhtzeglovsk mine is becoming increasingly a German affair.

The idea behind this plan, however, is not to allow those foreign colonists to do just as they please during their spare time but to give them a Bolshevist training in communism. Naturally enough, this will give rise to opposition. The foreign worker is too much of an individualist to brook any meddling with his private life. It is hard to predict whether the Soviet Government will launch out in this direction. It is fairly plain that they would come up against considerable resistance. What would happen, for example, if they eventually decided to make over the potash region of Solikamsk on the Kama River to German engineers? Very soon a German colony of at least 500 workers of all categories would be established here. The workers would bring along their families, a new generation would grow up and it would not be long before the colony had attained considerable dimensions. Assuming that the idea is to get the highest possible economic exploitation of this area, the new colony would not be long in demanding self-administration and with it the right to establish their own schools, pursue their own religion and keep in contact with the homeland. This is all reminiscent of what happened under Catherine and Alexander I. Seeing how conditions are in the rest of the world, such opportunities for colonisation would attract hundreds of thousands of workers, particularly from Central Europe. The Soviet Government would have to reckon with such an eventuality. To be sure, if the Soviet Government does take this course it will have to batter a breach in its own system and, with the aid of foreigners, destroy the communist foundations of Bolshevism.

NOTE.—" Sowjetgaenger-Vereinigung " (Association of Soviet Russia's Foreign Technical Workers) is the name of

an organisation that has recently been formed by the author. Its headquarters are in Berlin. Its objects are to enlighten the unemployed of all countries on working conditions in the Soviet Union and to look after the interests of foreigners in Soviet employment.

# XIV

# FOREIGN TRADE

By H. R. Knickerbocker

(Correspondent of the *New York Evening Post*, Berlin

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One reason why the Soviet Union is so interesting to all of us is because there is no other country in the world like it. It is unique to-day. But has it a parallel in history? Was there ever in the world a great society organised like the Soviet Union? Let us see. I want to quote from a description of a certain nation, and because it makes such a curious impression I shall substitute for the name of that nation the Soviet Union. Here it is:

"The Soviet rule was a form of State socialism. In the course of expansion the Bolsheviks from a party became an official caste, constituting eventually a huge bureaucracy. The inhabitants acquired a mentality remarkably responsive to discipline. The communistic system seems to have dated from the earliest times. Intensive supervision was a condition of the peculiar form of government. All produce, agricultural, pastoral or industrial, was fundamentally State property. Trade was practically non-existent. Some form of labour was exacted from every member of the community. Lands were apportioned for cultivation in accordance with the size of families, but the produce was essentially State property. In fact the whole of the produce of the Soviet Union was pooled and distributed according to a regular system. The industrial population were supported by the agricultural population, who in turn received a proportion of textiles and

other manufactured goods. The distribution of raw material, as well as manufactured articles, was carried out on a regular system."

Now the quotation just given is accurate save for the fact that one must substitute Peru for the Soviet Union, and the Incas for the Bolsheviks. It is a quotation from the *Encyclopædia Britannica*, describing that fascinating, patriarchal, Communist empire of the Incas that grew up on the Pacific coast of South America somewhere about A.D. 1200, flourished for 300 years and fell under the hand of the Spanish conqueror in the early part of the sixteenth century. No one has painted the Peruvian scene so clearly as William H. Prescott in his *Conquest of Peru*, and no one can read that classic of history to-day without a start of surprise at the extraordinary similarities discoverable in the social structure of the Peruvian empire with the social structure of the Soviet Union. Let us read a passage from Prescott: "No man could become rich in Peru. No man could become poor. No spendthrift could waste his substance in riotous luxury. No adventurous schemer could impoverish his family by the spirit of speculation. The law was constantly directed to enforce a steady industry and a sober management of his affairs. No mendicant was tolerated in Peru. When a man was reduced by poverty or misfortune the arm of the Law was stretched out to minister relief—not the stinted relief of private charity nor that which is doled out drop by drop but in generous measure, bringing no humiliation to the object of it and placing him on a level with the rest of his countrymen. No man could be rich, no man could be poor in Peru, but all might enjoy and did enjoy a competence. Ambition, avarice, the love of change, the morbid spirit of discontent, those passions which most agitate the minds of men, found no place in the bosom of the Peruvian. No Peruvian was too low for the fostering vigilance of government. None was so high that he was not made to feel his dependence upon it in every act of his life.

His very existence as an individual was absorbed in that of the community. His hopes and his fears, his joys and his sorrows, the tenderest sympathies of his nature which would most naturally shrink from observation, were all to be regulated by law. He was not allowed even to be happy in his own way. The government of the Incas was the mildest but the most searching of despotisms."

Does this not sound very much like what some of us imagine may be the ultimate condition of society in the Soviet Union? Of course there are obvious differences between the Empire of the Incas and the "First Workers and Peasants Republic." A critic might single out at once the dynastic character of Inca rule as different from the "dictatorship of the proletariat." This, however, does not appear to me to be the greatest difference. The greatest difference appears to me to be the fact that the Empire of the Incas had no commercial contact with the outer world. It had no foreign trade. The Empire of the Incas was a complete and perfect Autarchy. It had, as far as I can discover, the first Planned National Economy on a great scale. This planned economy was so perfectly organised that no medium of exchange was necessary. The Peruvians, fabulously rich in gold, did not know its meaning as money. They had no medium of exchange, and the complicated transactions of production, distribution and exchange were carried on by a species of book-keeping fantastically simple and astonishingly effective. Lacking a written language, they kept books with an instrument called the Quipus. The Quipus was a rope and the record was kept by tying knots in the rope. Imagine the Soviet Supreme Council of National Economy keeping its records on kilometres of rope tied in thousands of knots. Now this perfect little gem-like Autarchy of the Incas broke down at the first contact with the outer world. Ten years after the first landing of Pizarro in 1527 the conquest of Peru was effectually completed. And here we may find another curious

comparison between the history of that ancient State-socialist empire and the huge new State in the East. Peru was an Autarchy by compulsion. She was an Autarchy because of the Andes mountains and the Pacific Ocean, because geo-political barriers kept her isolated and forced her to be self-sustaining. At the first breakdown of the barrier she went under. Just so the Soviet Union is tending towards becoming an Autarchy by compulsion. But the compulsion in the case of the Soviet Union is not the presence of mountains and of the ocean, but the lack of them. The compulsion for the Soviet Union is not the lack of contact with the outside world, but too much contact and the fear that this contact may have the same result that it had for Peru.

There are many other aspects from which one can regard the phenomenon of Soviet Foreign Trade. But it seems to me that this aspect makes plain more of the unique characteristics of Soviet Foreign Trade than any other. For this is what chiefly distinguishes Soviet Foreign Trade from the trade of any other nation,—the fact that Soviet Foreign Trade is the instrument of national policy, that this national policy, while it has many remote goals, has one great immediate goal, and that is the establishment of national security against external attack.

It is perfectly logical to go ahead from this point and reason that when the nation is perfectly secure against external attack it may also be in a position to become aggressive. This does not alter the fact that for the moment Soviet national policy is concentrated upon the task of building an impregnable defence against the outside world. And to accomplish this defence it is necessary first of all for the Soviet Union to become economically independent, self-sustaining in every respect.

When the Soviet Union's economic structure had crystallised into something like its present shape, and

when foreign trade was resumed with the outside world, the Foreign Trade Monopoly was an integral part of the system. What is a Foreign Trade Monopoly, and why was it necessary? The simplest definition of a Foreign Trade Monopoly is that it is an institution that does all the importing and exporting of the nation. Every ton of grain, every pound of butter, every kilogram of petroleum, every stick of lumber sold abroad by the Soviet Union is sold by the Foreign Trade Monopoly. Every piece of machinery, every typewriter, every ton of metal, every bale of cotton imported by the Soviet Union is bought abroad by the Foreign Trade Monopoly. No citizen of the Soviet Union can buy anything from abroad except through the Foreign Trade Monopoly. Not even the Soviet Government trusts can buy or sell abroad except through the Foreign Trade Monopoly.

Why was the Foreign Trade Monopoly so necessary? For years almost every country that essayed to resume commercial and diplomatic relations with the Soviet Union attempted to make it a condition of resumption that the Foreign Trade Monopoly should be either abolished or modified. For years the Soviet Government resisted every such effort and in the end succeeded in maintaining the Foreign Trade Monopoly intact, even at the cost of many concessions that might have been obtained for a compromise. Why did the Soviet Government consider the Foreign Trade Monopoly so unalterably essential?

To understand this it may be useful to imagine a crude little example of what might have happened if the Foreign Trade Monopoly had been abandoned. Suppose the Soviet Government had given in during the period of re-establishment of relations with abroad. That was a time when there was still a good deal of private trading going on in the Soviet Union. It was the aim and the effort of the Soviet Government to replace all private trading by State trading. But the State trading institutions, the wholesale trade and the retail

trade, had the task not merely of maintaining themselves, but were also required to contribute to the larger end of the socialisation of the entire economic structure of the nation. That is to say, a State shop or a co-operative shop had to sell at prices that would render a profit which, ultimately reaching the Government, could be redistributed for the building up of the State industry, for the larger goal of industrialisation of the hitherto almost exclusively agricultural Russia. Under these circumstances the private trader, even though burdened with exorbitant taxes, could successfully compete with the State stores, undersell them, take their customers away from them, as long as the private traders could get any goods at all.

Not the only thing, but the chief thing that hindered the return of the private trader to economic power in the Soviet Union during its initial period of reconstruction was the fact that the Government controlled the source of consumption goods. By reason of its ownership of industrial production at home the Government could sell at wholesale prices to whom it pleased, and it did not please to sell to private retailers. But imagine what would have happened if there had been no Foreign Trade Monopoly. Let us suppose a one-time wealthy grain trader of Kharkov had saved a few roubles, enough to buy several tons of grain. He sells his grain abroad, and with the proceeds buys and imports shoes. He turns the shoes over to his son, who runs a small shop. With shoes at such a premium that a plain pair of boots on the open market brings around 150 roubles, the shoe shop sells at tremendous prices its entire stock, and the grain dealer, in partnership with his son, uses the proceeds to buy several wagon-loads of grain. This he exports, buys more shoes and so the circle goes. Although this illustration is crude and over-simplified, it nevertheless gives a clear enough picture of why the abandonment of the Foreign Trade Monopoly might have been the precursor of the return to private capitalism in the Soviet Union.

Thus the essentially important character of the Soviet Foreign Trade Monopoly is clear, and it may be understood why Soviet spokesmen constantly referred to it as the " keystone of the socialist system." We are, however, more interested in it now as the instrument of the present national policy of the Soviet Union, a national policy that is to-day very frequently interpreted as a policy aiming at the erection of an Autarchy, that is a completely self-sustaining economic system, entirely divorced from abroad. There are good grounds for this interpretation, but before discussing them it might be well to examine the common characteristics of the tendencies towards Autarchy that we can daily see manifesting themselves in many other countries beside the Soviet Union.

The most important common characteristic of all these tendencies in all nations is the fear of war. The Marxist probably would put the desire of private capitalists to make a profit ahead of the fear of war as a cause of the desire to erect an Autarchy. It is true that the profits to be earned behind a prohibitive tariff wall have a great deal to do with the erection of that wall, but these tariff walls never reached such dimensions and their effects were never so catastrophic before the period in which we are now living, and this period is characterised above all by the recollection of the last war and the apprehension of its repetition.

This fear of war is most acute on the European continent, and here are most evident the various forms of artificial forcing of industry and agriculture—but particularly of agriculture, as a means of insuring the greatest possible degree of national economic independence. And if it is the fear of war that is the most common characteristic of the tendencies among various nations towards Autarchy, it is also true that that nation which most acutely fears war is the one that appears to tend most strongly towards Autarchy, namely, the Soviet Union. For in this respect, also, the Soviet Union

differs from every other nation, namely, in the fact that the Soviet Union is the only nation that believes philosophically in the inevitability of war. It is essential for an understanding of the Soviet Union's economic policy as well as of its politics, to realise that the insistent, persistent and never-ending war alarms sounded from Moscow are meant sincerely. The alarms have been so frequent and so frequently false that this may be hard for an outsider to believe. Nevertheless, any protracted residence in Moscow will convince an observer that virtually the entire nation, or at any rate that part of the nation that counts in the political life of the country, is sincerely convinced that an attack on the Soviet Union is unavoidable.

This conviction is predicated upon two beliefs: first, that the success of the socialist system in the Soviet Union means the doom of capitalism throughout the world; secondly, that the capitalist world will not permit the Soviet Union to attain success without an attempt to overthrow the Soviet system by violence. Other nations may have many reasons for fearing war, but no other nation has its reasons for fearing war rooted in its entire system of political thought. War within the capitalist system depends if you like upon the accidents of national rivalry. But war between the capitalist and the Soviet systems is, according to the Soviet philosophy, quite inevitable, and the only "accident" that could happen would be the ironical "accident" that the capitalist world may be too much in love with its comfortable illusions to believe that the Soviet system can be successful, and that the capitalist world may continue to cherish its belief that the Soviet system is failing until the moment when the Soviet system has succeeded so far that no attempt by the capitalist world at intervention can hope for any success. There are plenty of close observers of the Soviet Union who believe that this moment has already been passed. That does not prevent the Soviet Government from exercising every effort to further

improve the nation's capacity for defence through an ever greater degree of economic independence.

In this effort the Foreign Trade Monopoly is an inevitable instrument. It has enabled the full concentration of every national resource upon the fulfilment of the Five-Year Plan. The Five-Year Plan, of course, is only one link in the chain of plans that must characterise the economy of any socialist State. Socialism without national planning is unthinkable. But this particular Five-Year Plan, the first, has a definition of its own that may be worth while to remember in any discussion of the question of its success or failure. One can only discuss the success or failure of a plan when one has defined its objective. The Five-Year Plan is the plan by means of which the Soviet Union proposes to make itself so utterly independent of outside sources for all its necessities that, should a united capitalist world in 1933, the end of the Plan, lay down a universal boycott against trade with the Soviet Union, the Soviet system could not only continue to exist, but carry on with its programme of industrialisation and socialisation. This does not mean that the Soviet Union hopes to be completely industrialised by the end of 1933. It means only that by that time there will have been introduced into the country sufficient instruments of production to enable the Soviet Union to carry on the process of industrialisation, if it were forced to do so, without any more contact with the outside world.

The converse of this proposition is also true. That is to say, if the Soviet Union, now apparently striving with the means at its disposal toward an absolute Autarchy, is not subjected to a boycott, is not attacked from abroad, there is no reason to believe that it will persist in the maintenance of its Autarchy. On the contrary, there are many reasons why it should not only continue its commerce with the outside world, but should expand this commerce vastly.

It is interesting to observe, however, that until now

the only really serious menace to the accomplishment of the Five-Year Plan has been not boycott from abroad, nor war, but the fact that the Five-Year Planners reckoned too confidently on the stability of the capitalist system abroad. There have been no effective bars against Soviet trade in any important countries abroad. Only five nations attempted seriously to boycott Soviet trade. They were Canada, Roumania, Jugoslavia, Bulgaria and Hungary. Crying protests against so-called Soviet "dumping," these five nations closed their borders against anything from Russia. Moscow was once more aroused from chronic to acute alarm. But what did these measures amount to? They meant that the Soviet Union, out of an average total export of around 1,000 million roubles, had to find a new outlet for about 2 million roubles' worth of goods. That is to say, the Soviet Union had lost one-fifth of one per cent of its exports. For 2 million roubles was the total amount of Soviet exports previously taken by these nations. Not a single great nation, not a single large taker of Soviet goods has interposed any effective ban on trade with the Soviet Union. And this for the very sound reason that trade with the Soviet Union has been a profitable affair, and for the reason that those countries which have been injured by so-called Soviet "dumping" are injured for the most part not in their home market, where they can protect themselves by tariffs or other restrictions, but in their foreign markets, where they have to compete on even terms with the Soviet Union. The only effort made by any great nation to check Soviet trade was that of France. France established a licence system against the import of Soviet goods in October 1930. Her move was widely heralded by Moscow as the long-awaited opening drive for formation of an anti-Soviet front. But the French abandoned their licence system after a few months' experience had taught them that, due to the robust reprisals of the Soviet Union, France lost 80 per cent of its exports to the

Soviet Union while the Soviet Union lost only 14 per cent of its exports to France. A survey of all the European nations and of the chief non-European nations doing a significant trade with the Soviet Union shows that nowhere are to be found any important bans on Soviet trade that do not exist equally for the trade of all other nations.

On the contrary, a close examination of the relations between the Soviet Union and the important countries with which it trades shows conclusively that the Soviet Union, far from suffering under unique disabilities, enjoys unique advantages in many countries. First of all, it enjoys in every country the unique advantage of making all its purchases and sales through the Foreign Trade Monopoly. The advantages of large-scale buying and selling are too familiar to need discussion. They become all the greater when the buying and selling are done by a complete monopoly. Through this monopoly, with its agents in 52 countries, the Soviet Union can seek out the most profitable market for its own goods, and in its purchases can play off not only one seller against another but one nation against another. Secondly, the Soviet Union enjoys unique advantage in the fact that a group of nine nations, headed by Germany, Italy and England, provide government guarantees for trade credits advanced to the Soviet Union, and these trade credits have reached such dimensions that they operate as substitute for the loans that the Soviet Government so long sought but never obtained.

Just how large the short-term loans are and how fast they have grown may be judged from the estimate of the Birmingham Bureau on Russian Economic Conditions, which recently published a table indicating that the total Soviet short-term debt was in the neighbourhood of 855 million roubles on October 1st, 1931, as against 625 million roubles twelve months before. Nor is the Soviet Union's short-term debt for so very short a term after all, if the estimate of a writer in the *Economist* may be trusted. This writer, analysing the

credit terms obtained by the Soviet Union in the las several years, arrives at the conclusion that the term come down to an average of one-fifth cash, two-fifths afte one year, one-fifth after two years and one-fifth afte three years. These are terms better than those obtaine by most private corporations.

This foreign indebtedness of the Soviet Union i now, at the figure of 855 million roubles, considerabl enough, according to the Birmingham Bureau o Research, to equal one-third of the total privat indebtedness of Russia to foreign countries before th war. This very considerable sum of trade credits ha been advanced to the Soviet Union just after th repudiation by the Soviet Union of the entire pre-wa debt of Russia, amounting at the time of repudiatio to 13,823 million roubles according to Pasvolsky an Moulton. And the trade credits to the Soviet Unio were begun in a modest way as early as 1924, just seve years after the repudiation. Should this be an occasio for surprise? I do not think so. It is extremel interesting in this connection to read the observation of Dr. Leopold Heinemann in a contribution to *De Deutsche Oekonomist* entitled " Zur Theorie und Praxi des Staatsbankrotts." Dr. Heinemann sets forth tha in the nineteenth and twentieth centuries no less tha nine European countries went bankrupt, some of then as many as five times, and each time the bankrup State was soon taken back into the fold of internationa finance. He cites the bankruptcy of Prussia in 1807 of Westfalen in 1812, and of Kurhessen in 1814; o Holland in 1814. He lists no less than five Stat bankruptcies of Austria, six of Spain; endless arbitrar conversions in Portugal, in Turkey, in Greece and Serbia And finally he comes to the interesting conclusion tha " es zeigt sich immer wieder, dass das Anleiheangebo nach Staatsbankrotten keineswegs zurückging, sonder dass oftmals der Bankrott, also das Schwinden älter Staatsschuldverplichtungen, den Ansporn zu erhebliche neuen Krediten seitens aus ändischer Kapitalisten gab."

This historical observation should be welcome to more than one State at this uncomfortable moment in world financial affairs. I do not believe, however, that it is an observation that affords much comfort to the Soviet Union. For while many bourgeois States may go into virtual bankruptcy, declare moratoria, etc., and still be received, so to speak, in good financial society, the Soviet Union cannot do so. I know it is risky to venture prophecies, but I shall take the risk of expressing my belief that it is just about as likely that the Soviet Union will put on green eyeglasses and flee to Sweden as it is that the Soviet Union will default on its payments. I shall give my reasons for this belief later, but first I should like to discuss why the question of the Soviet Union's ability to pay has been so acute of late. This leads us back to the previously expressed opinion that the only really serious threat to the Soviet Union has been neither boycott nor war, in other words, no active aggression on the part of the capitalist world against the Soviet Union, but rather the fact that the Soviet Union counted too confidently on the stability of the capitalist system abroad, and interlaced its own economic system too closely with that of the outside world. It is certainly ironic that the Soviet system, whose proponents confidently announce that its success will mean the doom of the capitalist system, should be threatened by the disorganisation of the capitalist system. And it is even more ironic that the Soviet Union's most imposing attempt to achieve independence of the outside world, namely, the Five-Year Plan, should be threatened just because the Soviet Union for the sake of eventual independency accepted for the time being a greater degree of dependence on the outside world.

For the prime advantage sought by the Soviet Union in the repudiation of the czarist debts was independence of the outside world. To-day this independence has been sacrificed, and for the moment, at least, and probably for some time yet, the Soviet Union promises

to be as closely bound up with the economic fate of the world as any other nation. The acceptance of a debt of 850 million roubles, about equivalent to one year's exports, has fastened the Soviet Union to the capitalist world as closely as though it had never repudiated the czarist debts. What have been the consequences?

First of all, the fall in world prices of commodity goods, and particularly the fall in prices of those types of goods chiefly exported by the Soviet Union, was not foreseen and could not have been foreseen when the Plan was set forth in 1928. Nor could it have been foreseen that a wave of what might be described as national economic hysteria would seize the world in 1931 and overwhelm the world markets with a succession of embargoes, restriction of imports, prohibitive tariffs and valuta restrictions that have combined to bring about almost a paralysis of world trade. To understand the effect upon the Soviet Union of this fall in prices and of these trade restrictions, it must be remembered that the Soviet Union is dependent upon its foreign trade in a way different from any other nation. For the Five-Year Plan is a plan that depends to a large degree upon imports for its fulfilment. The initial instruments of production had to be obtained at first from abroad. To put it very simply, the Soviet Union had first of all to import machines to make machines. Any interruption of this import during the Plan would necessarily mean a dislocation, a slowing down of the Plan.

Hence it is clear that the Soviet Union should have an urgent interest in keeping up its imports to Plan level. But until the Soviet Union began to receive trade credits in considerable volume, the only way it could pay for imports was by exports. In the long run exports still remain the only means of paying for imports, and credits meant only postponement of payment through exports. Having to pay with exports, and being forced by reason of the Plan to keep up its imports to planned level, the Soviet Union was forced

to do everything in its power to keep up its exports to that level. And this is where the world economic crisis got in its destructive work.

A few figures will make plain what the effect of the crisis has been upon the Soviet Union's foreign trade. According to the Government Planning Commission of Moscow, the Five-Year Plan foresaw that in the year 1932–33, total exports should reach 2,627 million roubles and total exports 2,040 million roubles. It was foreseen that during the Five-Year Plan a steady increase of foreign trade should take place until at the end of the Plan the total turnover should be at least twice what it was in 1928. And the Plan provided for a steadily increasing active balance. What actually happened is indicated by the following figures. In 1928 the exports were 799 million roubles, the imports 953 million, leaving a passive balance of 154 million. In 1929 the exports were 923 million, the imports 880 million, leaving a passive balance of 43 million. In 1930 the exports were 1,036 million roubles, the imports 1,058 million, leaving a passive balance of 22 million. In 1931 the exports were 811 million, the imports 1,105 million roubles, leaving a passive balance of 294 million roubles. Thus it is plain that the planned figure of 2,627 million roubles exports for 1932 cannot be achieved, and the indications are that the exports at the end of the Plan will not be much more than they were at the beginning of the Plan. Yet it is important to remember that these figures show the exports in terms of returns from exports. Furthermore, during this period, when the Soviet Union maintained its exports at approximately the same level, nearly all other countries suffered a decrease in exports amounting to as much as 50 per cent.

It is a tremendous achievement to have maintained the value of exports in the midst of the world economic crisis at a level approximating to the level before the crisis. For in order to keep the value up during a period of falling prices it was necessary to export in

quantity a great deal more, so much more, in fact, that by 1930 the quantity in tons of Soviet exports [illegible] returns were about double that of 1928, whereas [illegible] only about 20 per cent [illegible]. In other words, if world prices had not fallen to the extent they did fall the Soviet exports would have come much nearer to fulfilling the Plan. In view of the obvious compulsion upon the Soviet Union to export as much as possible, it is hardly worth discussing the ancient and quite tenable charge that the Soviet Union has pursued a policy of dumping for the purpose of promoting economic instability and consequent political unrest in the capitalist world. As far as I have been able to ascertain, the policy of the Soviet Union in respect to prices designed first and last to get to business. Soviet prices are as a rule just low enough, but always low enough, to get the business, and not, if the Soviets can help it, any lower. On a commodity market, where business is done on exchanges, as in the grain market, Soviet prices are just a shade below their competitors'. On a market where the Soviets must compete with powerful bourgeois trusts, as in oil, the Soviets cut fairly heavily. On a market where the Soviets are new and where they must establish themselves against strong and settled competition, the Soviets cut prices ruthlessly. On a recent trip through eleven countries of Europe I was unable to find any evidence of the use by the Soviet Union of its trade abroad to further communist political ends, but plenty of evidence of the use by the Soviet Union of its trade with abroad to further its national political ends.

If there are any exceptions to this price policy of the Soviets, I believe a careful examination of them will show that they are due a great deal more to bad management than to any attempt to upset markets for Communist purposes. I wish to emphasise that I am speaking only of this particular current period. I do not wish to deny the possibility that the Foreign Trade Monopoly of the Soviet Union might *in the future*

prove a valuable instrument for the direct accomplishment of those Communist aims that form the political basis of the Soviet Union. Just at present, however, every indication points to the fact that the Soviet Union has most to lose by a continuation of the world economic crisis.

And this brings us back to the question that interests most acutely the creditors of the Soviet Union, namely, the current Soviet capacity to pay. I risked the opinion that the Soviet Union would continue to pay until the last gasp, and I wish now to give reasons why I think the last gasp is still rather remote. Let us take the most unfavourable figures that have been published, those of the Birmingham Bureau. The Bureau estimates that each year about two-thirds of the total Soviet short-term debt has to be repaid. It estimates this debt at 855 million roubles for October 1931. This would indicate that the Soviet Union will have to pay back credits of a maximum of around 600 million roubles in 1932. But Soviet exports for 1931 were more than 800 million roubles, and there is no good reason for thinking they will sink much below this figure in 1932, if, indeed, they do not actually increase. It may be recalled, for example, that in October 1931 the world wheat market experienced a sudden upspurt at the news that the Russians had been compelled to buy wheat in the London market. It was predicted that the Russians were not only " through " and would export no more wheat this season, but would actually have to import grain to feed the population. The facts are, though, that in the succeeding months of November, December, and January, the Soviet Union continued to export wheat; it is true in reduced quantities, but by the end of the first six months of the season beginning August 1931 they had exported 1,988,108 tons of wheat, or a bare 200,000 tons less than in the same period of the record year preceding. The figures are those compiled by the Reichsforschungsstelle fuer Landwirtschaftliches Marktwesen from the reports of

the *London Grain, Seed and Oil Reporter*. This example is cited merely to support the opinion that it would be well to take most predictions of a sharp decline in Russian exports with a grain of salt. And if the exports remain at not less than 800 million roubles, even the balance of payments as presented by the Birmingham Bureau would indicate the possibility of meeting in full the 600 million roubles of short-term debt. Granted that these figures are approximately correct, and the Birmingham Bureau admits that a good deal of their reckoning is based upon " inspired guesses," there would be, it is true, nothing left for Soviet imports in 1932. It may very well be that the Soviet Union may be compelled to reduce its imports considerably. The *New York Times* correspondent in Moscow recently sent a dispatch to his newspaper indicating the possibility that in 1932 imports would be cut as much as 40 per cent. But the question that most concerns the Soviet's creditors is not whether imports will be cut. It is whether the debt will be paid. And the great, unique advantage possessed by the Soviet Union is that by reason of the Foreign Trade Monopoly it is possible at any time, with very little notice, to cut imports to fit the situation.

Aside from this fundamental consideration that should be of considerable satisfaction to the Soviet's creditors, there are several others. There is the question of gold. A good many nervous creditors have counted up the amount of gold shipped by the Soviet Union and have come to the conclusion that the supply is exhausted. This in spite of the fact that the Soviet State Bank alleges a gold backing of around 700 million roubles or 350 million dollars for its currency. It has become fashionable to look askance at this gold of the Soviet State Bank, and to regard its existence with scepticism. I am personally not sceptical of it, for one reason. The most persistent element in Soviet politics is the fear of war. This fear is so strong that it colours almost every foreign and inner political move. Is it logical to assume

that the men who harbour this fear, and who are responsible for the Government's existence, would fail to have provided a certain military gold reserve? No matter how well provided for war a nation may be, it is always the case that upon the actual outbreak of war there are certain military necessities to be provided if possible from abroad. It seems unlikely that the Soviet Union should have overlooked this provision. And if the gold is there, whether to cover the currency or to provide for military contingencies, there is every reason to believe that it would be used also to avoid that other contingency only less economically disastrous than a possible war, namely, a possible default.

The gold of the Peruvians was the temptation that led to their doom. The gold of the Soviet Union may be the protection of the Russians against the fate that overtook their ancient predecessors on the road to Communism.

Meanwhile the most interesting characteristic of Soviet Foreign Trade appears to me to be that the efforts of this one section of human society to make itself independent of the rest of mankind have resulted in a closer dependence of the so-called Communist world upon the so-called capitalist world than ever. About the future, only Marxist philosophers can be entirely certain. If this sounds ironic I should like to point out that during fourteen years none of the popular *bourgeois* predictions about the Soviet Union has ever come true.

# INDEX


A

ACCOUNTANCY 144, 153–4
Administration, economic 23 ff.
  *geographical* 25 ff.
Advertising 74–5
Agriculture 10, 12, 18, 25, 109, 119 ff.
  Commissariat for 38, 41, 71, 254
  mechanisation of 125
Air transport 220–1
Akalov 80, 85, 89
Alexander I 312
American technical assistance 296–7, 303–4, 312
Amtorg 46
Andreev, A. 28–9
Angara 210
Architects 254
Artels 13, 129, 134, 137–8
Autarchy 319, 320, 323–5
Autogigant 219
Automobile industry, the 108–9
  transport 219, 220
Avtosro 263

B

Bakunin 148
Balachna power station, the 296
Baltic Sea, the 197
Bank, the People's 148
  the Savings 161–2
  the State 1, 60–1, 71, 148–9, 152–3, 161
Bankrupt countries 328
Banks 23, 148 ff., 161
  abroad, Soviet 162
  nationalisation of the 148
Bathing establishments 288
Beetroot 136
Biderko, Dr. 96
Bills of exchange 155–6
Birmingham Bureau, report of the 327–8, 333
Black Sea, the 197
Block dwellings 260
Bogdanov 80, 90–1
Bogolepov, M. 155
Boguchevski, W. 56
Boycott of Soviet trade 326
Bray 144
Budgets, local 182–4
  the State 180 ff.
Building 245 ff
  labour 248, 254
  materials, shortage of 251, 254
  programmes 257
  research institutes 255
  revival of 252
  trusts 253–6
Bukharin 68
Bureaucracy 48–9, 81, 85, 88, 199, 228–9, 232
Bychovsky 300

C

Capital, foreign 103, 296
  private 1, 42
Capitalism, failure of 324
  State 172–3
Caspian Sea, the 197
Cast-iron 107
Catherine the Great 312
Cattle, destruction of 15, 136
  State collection of 140
Cattle-farming 127–8, 137–8, 231
Cells, Communist Party 301
Censorship of news 57–8
Central Budget Clearing-house, the 151

Central Statistical Bureau, the 30–1, 60–1
Centrosoyus 40–1, 45, 72
Chamber of Commerce, the 46–7
Chanjanov 146, 148
Chervonetz, the 149, 163
Chicherin 302
Child labour 283
Children, allowances for 277
Civil Servants, rights of 270, 282
Clothing industry, the 110
Clubs, workmen's 280–1, 288
Coal-mining industry, the 17, 107, 113, 115
Collectives. *See* Farms, collective.
Commercial Stores, the 166, 286
Commodity Fund, the 188
Communal house, the 258–9, 260
Communes, agricultural 129
Communism, militant (war) 2, 30, 47, 123, 145, 147–8, 176, 185, 275
  Peasant 126
Communist Party, the 6, 28, 57, 74, 226–7, 229, 301–2, 308, 311
Communist Youth, the Union of 9
Control figures 3, 30, 62, 67, 154
Co-operatives, Consumers' 40–1, 237
  Peasants' 39, 40, 129
Copper industry, the 107
Corn Trust, the 39, 127–8
Cost of living, the 167
Cotton industry, the 103, 110, 137
Council of Labour and Defence, the (S.T.O.) 5, 27–9, 31, 60, 255, 299
Crèches 260
Credit 149 ff.
  Marx on 151
  planned 154–5, 159
  reform 150–1, 155–9, 160
Credits, foreign trade 328, 330
  private 152
Cultural activities 189
Currency in circulation 15–16, 164
  reform 149, 163

D

Debt, short-term 333
  the czarist 329, 330
  the State 188–9, 327
Deflation 165
Distribution of goods 230
Dnieper Dam, the 34–5, 91, 297
Donetz Basin, the 103–4, 198, 206, 208, 210, 256
Dostoievsky 147
Dumping 326

E

*Ekonomicheskaya Zhizn* 60, 71, 297
Electrification 3, 17
  Lenin on 209
  of transportation 209, 210
Engels, F. 145, 264
Engineers 81, 281–2
  foreign 282, 296–7, 300
Espionage, industrial 54
Expectant mothers, provisions for 277
Expenditure, State 188
Export trade 92
Exports 331–3
Extension agreements (*contractasia*) 42

F

Family life 132, 259, 260
Farms, collective 6, 10, 12, 13, 38–9, 120, 128 ff., 231
  size of 127
  State 10, 38, 120, 127
Finance, Commissariat of 25, 74
  State 171 ff.
Financial plan, the 176 ff.
Fishing 18
Fisson, A. 297
Five-day week, the 272
Five-Year Plan, the 1, 4, 7, 9 ff., 30, 33, 47, 92, 106–7, 114–15, 134, 139, 154, 164–5, 200–1, 205, 235, 251, 280–1, 283–4, 287, 296–7, 308, 325–6, 329, 330–1
  the second 2, 6, 16–17, 37, 109, 114, 166, 202, 210, 287

Flats, workers' 259
Flax, 128, 136
Floor-space, rationing of 251–2
Food, shortage of 10, 14, 139
Fordian ideas 305
Fordson trailers 94
Foreign assistance 293 ff.
trade 317 ff.
Foreign Trade, Commissariat of 24, 42, 44–6, 73–4
Foreign Trade Monopoly, the 321–3, 325, 327, 332, 334
Foreigners, payment of 309, 310
France, trade of, with Soviet Russia 326–7
Freight haul, medium 213
rates 214
traffic, regulation of 212
Fruit 18, 128
Fulfilment Commissions 67–8

G

Gay-Pay-Oo, the 8, 202
German technical assistance 300–1, 312
Gigant 127, 265
Gladkov 64
Glebov-Avilov 80, 89, 90
Gold, exports of 334
holdings 61, 334–5
Lenin on 143
Gorki, M. 202
Gosplan, the. *See* State Planning Commission.
Gostorgs, the 45
Grain, State collection of 140, 230
culture, mechanised 127
yield of, 14, 66, 93
Gray 144
Grinko 165, 180
*Gudok* 71

H

Heating-system, long-distance 265
Heavy industry 107–9
Commissariat for 6, 32, 37, 70, 254
Heinemann, Dr. L. 328
Holidays, official 272
Homecraft industry 110–11, 237–8
Houses, confiscation of 249
standard 256–8
wooden 247–8
Housing 245 ff.
communes 260
co-operatives 250
municipal 263
shortage, the 251
trusts 250

I

Ihering, Prof. von 82, 83
Illiteracy 287
Imports 331, 334
Incas of Peru, the 318
Income, the national 178–9
Industrialisation 11, 18, 99 ff.
Inflation 166
Insurance, social 189, 276–8
Insured workers, number of 278
Intellectual workers, rights of 270
Interest on capital 147–8
on loans, rate of 163
Intervention, capitalist 324
Invalids of work 277
Inventions, the Association of 205–6
Iron industry, the 14
Ivanovo-Vosnesensk 106
*Izvestia* 59, 69, 306

J

Japanese technical assistance 303–5

K

Kaganovich, L. 80, 85–6, 88, 95
Kalinin, M. 27
Kerensky 24
Kharkov 106, 308
Kherzon 90–2
Khlebocentre 40
Kindergartens 260, 288
Knitting 110
Kolchozen, the 39, 134, 265

Kolzov 64
Komarovsky, W. 298
Komsomols, the 260
Krzhizhanovsky, G. M. 4, 61, 296
Kuibishev, V. V. 6, 165
Kulaks, the 10, 12, 124, 132–3
Kura power station, the 296
Kusmitchev, W. 55
Kusnetsk Basin, the 103–6, 198, 206, 210, 256, 263, 312

L

Labour exchanges 284
units of value 146
Land under cultivation, area of 128, 135–6
statistics regarding 63
Lebedeff 298
Left Opposition, the 122
Lenin 3, 19, 48, 56–7, 61, 64, 72, 82, 84, 120–1, 143, 148, 153, 237, 269, 272, 279, 294–5
Leninsk mine, the 312
Lidin 64
Light industry 110–12
Commissariat for 6, 36–7
Living, standard of 14, 18, 231
Loans, internal 152, 162
lottery 162–3
State 11, 188
Lobov, S. 304
Locomotives, condition of 204
Lopatinsky Combine, the 258
Lubimov, S. 37

M

Machine construction industry, the 105, 107–8, 112
Magnitogorsk 105, 229, 263
Manufactured goods 109
Marjassin 159
Marketing, State 233, 238 ff.
Marx, Karl 145–6, 151, 264, 295
Meat 139
Medical services 276, 278
Mercantile fleet, the 217–18
Middleman, Soviet views on the 236
Mikoyan, A. J. 28, 42
Military expenditure 189
Milk 18, 139
Mir system, the 100, 125–6
Molotov, V. 6, 13, 27–9, 69, 80, 95–6, 132
Money, Dostoievsky on 147
Money, Soviet views on 145–6, 165–6
Moscow, housing in 250
Moulton 328

N

Neurath, Otto 148
New Economic Policy, the 1–3, 10, 30, 40–1, 47, 103, 120–3, 129, 130, 132, 139, 148–9, 156, 172–3, 176, 186, 190, 235, 237, 251, 273, 280, 300
News presentment, Soviet views on 55–7
reporting, economic 59 ff.
Notes, Treasury 149, 164

O

Oblasts, the 25–6
Odessa 92, 130, 218
Oil industry, the 14
Open market, the 286
Ordzhonikidze, G. 28, 37, 80, 82–5, 89, 92
Ossoviachim 220
Ovzevod 39
Owen, Robert 144, 146

P

Pasvolsky 328
Payments, Soviet 329, 333
Peasant holdings, small 10, 12, 119, 120
Peasants, the 93
collectivisation of the 119 ff., 150
Peat industry, the 107, 113
People's Commissariats, Unified 24–5
People's Commissaries, the Council of 24, 26, 29
Peru, ancient 317–19, 320
Peter the Great 25, 105, 293
Petroleum industry, the 107
Piece-work 113–14, 135, 227–8

Pigiron 17–18
Pizarro 319
Planning, State 1 ff.
Platten 295
Population 271
Post and Telegraphs, Commissariat of 24
*Pravda* 59, 302
*Pravdist* 56
Prescott, W. H. 318
Press, the 8, 9, 55 ff.
Prices 14, 167, 285–6
fixing of 122, 285
Soviet, in world markets 332
Production costs 112–13
Productivity of labour 112–13
Propaganda, Communist 289, 290
trade 46–7
Proudhon 144–5
Püschel, P. 96
Putilov Works, the 95

R

Rabkrin, the 8
Railroad accidents 203, 215
construction 207–8
equipment 202–3
mileage 207, 210
operating ratio 211–12
traffic 199
transport distance, average 211
Railroads, the 198 ff.
strain on 232
Ramsin 80
Ration-cards 166
Raw materials 110–11
Realisation Commission, the 29, 30–1
Red Army, the 280
Red Directors 228–9
Research institutes, industrial 35
Rest-homes 276
Retail trading 233 ff.
Revenue, the national 186–7
Rights, social 270
Ristelmach 89
Roads, condition of 218–19
construction of 219
mileage of 218
traffic on 218
Rodbertus 144–5
Rolled iron 107
Rosengoltz 80, 85, 92
Rostov 89, 90, 93, 106
Rouble, the 113
purchasing power of the 14
Rüttgens 295
Ryklin 64

S

Sanatoria 276, 288
Saporoshe Combine, the 34
Savings Bank, the 152, 161–2
Schools, admission of workers to 288
technical 36
Scientific publications 74
Seasonal workers 290
Self-criticism 57, 66, 215
Selskosoyus 40
Serfdom 99, 100
Sernotrest 39
Seven-hour day, the 272
Sewage system, the 248
Shachty 302, 308
Shock brigades 8, 114, 273–4, 307
brigadiers, privileges of 274
Shoe industry, the 110
Siberia 103–4, 106, 206, 209, 210
Western 13, 198
Silk 110
Six-day week, the 272
Skotovod 39
Slums 246
*Soap* 110
Social legislation 271 ff.
welfare 269 ff.
Socialist competition 7, 8, 62, 273
Societies for Mutual Credit 150
Sojusneft 35
Sojussel-mash 36
Sojustorf 35
Solikamsk 312
Solkolnikov 145
Soviets, Congress of 24, 26–7
Sovkhozen, the 134
Specialists, native 297–8
shortage of 86, 298–9
Stal 34

Stalin, Joseph 28, 33, 36–8, 42, 57, 64, 81, 84, 119, 121–4, 128–9, 133–4, 139, 151, 184, 274, 288–9
Stalingrad 105–6
State Planning Commission, the (Gosplan) 4–6, 30–1, 60, 71, 74
Statistical publications 72–3
Steel industry, the 110
Stimuli to production, Socialist 7, 8, 273
Stock-breeding 136–7
Stolypin 119, 123
Stores, State 239, 240
Strip system, the 120–1
Strumilin 146–7
Sulimof 230
Sunday, abolition of 272
Supply, Commissariat of 25, 32, 41–3, 72
Supreme Economic Council, the 6, 25, 31–3, 36, 72, 85, 300
Svanidze, Dr. A. 81–2, 84
Svinovod 39
Svir power plant, the 297

T

Tass agency, the 74
Tax, the agricultural 184, 191–2
  the culture and building 184
  the income 190–1
  the industrial 191
  the turnover 185, 187, 190
Taxation 122, 185–7, 190
Technical publications 73
  workers, the 48
Tenement houses 249
Textile industry, the 14, 101, 106, 109
Textile Union Association, the 34
Timber industry, Commissariat for the 6, 36, 38
Tomsky 279, 280–1
Torgpredstvo 46
Torgsin 240, 286, 309
Town-planning 263–5
Tractor stations 13, 17, 130
Tractors, manufacture of 14, 108–9, 124, 128
Trade, foreign 225, 317 ff.
  internal 225 ff.
  publications 73
  Unions, the 278–9, 280, 308
Trading, private 2, 3, 41, 120, 123, 150, 175, 233, 237, 321–2
Traffic lines 200
Transport, Commissariat of 24, 38
Transportation 14–16, 197 ff.
  statistics of 63
Trials, sabotage 67, 307–8
Trotski 56, 123–4, 279
*Trud* 70
Trusts, agricultural 231
Turkestan 103
Turksib 208–9, 299
Tver 106

U

Udarniki 8, 274, 290
Ukraine, the 72, 106
Unemployment 13, 17, 239, 272, 277, 283–5
Unified current account, the 158–9
Union Industrial Associations 32–6, 39, 43
Universities, admission of workers to 288
Ural Region, the 13, 24, 99, 103–5, 198, 206, 208, 210, 235, 256
Urbanisation 251–2
Urquhart 294

V

Vegetables 18, 128
Vladivostok 197–8
Volchov power plant, the 296
Volga, the 197, 218, 235
Volga–Don Canal, the 90–1, 106, 197, 217
Voronesh 106
Voroshilov 28
Vostokostal 34

## W

Wages, categories of 275
in kind 275
money 14, 275
of workers, monthly 285
pool, the 113
rise in 275–6
social 276
tariffs of 275
War, fear of 323–4, 334–5
Warren 144
Water-power, electrification from 210
Waterway transport 201, 214, 216–17
Wegemann 295
Wheat, export of 333
purchase of 333
Winter 91
Women workers 282–3
Workers' barracks 249, 287
dwellings 258, 287–8
*Workers' Gazette* 230
Workers, psychology of the 289
Working day, the legal 271–2
Workmen's and Peasants' Inspection 85, 89

## Y

Yakolev, Y. 80, 85, 92–4
Yaroslav 106, 219
Young workers 290

## Z

*Za Industrialisaziyu* 56, 60, 70
Zhtzeglovsk mine, the 312
Zilko 85
Zoning, industrial 263–4

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